MITIGATING THE SOCIAL COST OF FINANCIAL CRISIS IN EAST ASIA: EXPERIENCES AND POLICY LESSONS [*]

By Medhi Krongkaew [**]

1. Introduction

If, by financial crisis, is meant difficulties in the financial sector brought about, on the supply side, by inefficiencies in operations of this financial sector, or corrupt practices by bankers or other financial operators, and, on the demand side, by the loss of trust on the part of the general public in the financial system, which may, in turn, result in a massive and spontaneous withdrawal of funds and deposits from the financial system (i.e. bank run), then the social costs of this financial crisis may be limited to those who are directly involved in these difficulties. The depositors may lose some of their deposits whereas some bank personnel may lose their jobs and be legally prosecuted. But financial crisis can spread and become an economic crisis, involving larger groups of people, with difficulties going beyond financial operations into the overall economy, its production, price, employment, and income of the people. In this case, the social costs of an economic crisis are much larger and more difficult to discern and quantify. The financial crisis in this paper is of this second category. It is the financial crisis that is synonymous with the economic crisis, or at least something that can be called 'finance-led economic downturn' (FLED).

By now, more than two years after the Thai government unpegged its currency from the US dollar and started the East Asian economic crisis, everyone who is following the development of this crisis must have seen, heard or read enormous amount of literature that deals with the causes and course or development of this crisis in the three most affected countries, Thailand, Indonesia and Korea. There is no need to do it again here. This paper will look specifically at the social consequences of the crisis in these three East Asian countries. Section 2 delineates what had happened in the social sector as a result of the crisis. Four types of impacts will be discussed: impact on price and consumption, impact on employment and labour markets, impacts on income, poverty and income inequality, and impact on social services. Section 3 discusses policy responses to such social impacts, taking

---

[*] Paper presented at the Joint Workshop on Managing Capital Flows in a Volatile Financial Environment, organised by the World Bank Institute and the Center for Pacific Basin Monetary and Economic Studies at the Federal Reserve Bank of San Francisco, in Bangkok, February 21-24, 2000.

[****] Director, Institute of East Asian Studies, Thammasat University Rangsit Campus, Pathum Thani 12121, Thailand.

into account the scarcity of resources during crisis and the urgency of bringing the economy out of the crisis as soon as possible. Section 4 suggests certain measures that either prevent or deal with similar crisis in the future. Finally, Section 5 summarises and concludes.

2. Social Consequences of the Economic Crisis

Equally large body of literature exists in the area of social consequences of the financial or economic crisis or FLED. [1] What could be the social consequences of this crisis? Caroline Robb of the University of Sussex has attempted to depict the social consequences of a financial crisis, using what had happened in Thailand as an example. We can build our framework of analysis from Robb's idea. First of all, there are three levels of impacts. The first level or primary impacts centre on income loss and increased poverty owing to unemployment and cuts in wages, price changes, reduced access to and quality of social services, and credit crunch. The second level or secondary impacts deal with the question: How people are coping. Four possible events could happen: (1) Family members are forced to enter the informal labour market; (2) family cohesion is weakening as migration increases; (3) women and children suffer as household cut down expenditure (less food, children pulled out of school); and (4) young men are turning to illegal activities. This leads to the third level or tertiary impacts whereby the following situations could transpire: some networks of support are strengthened (linking more between rural and urban areas; sharing ideas); overwhelming social capital is being eroded; increased conflict and tension within households (domestic violence), within the community (crime, theft), society (political); decrease trust and security, competition for jobs and space; and increased isolation (as cited by Marshall, 1999, p. 17).

In order to facilitate inter-country comparison, the social consequences of a financial crisis will be limited to impacts in four selected areas only, namely price changes and effects on consumption; employment, unemployment and the labour market; income change and effects on poverty and income inequality; and changes in other social services especially health and education.

2.1. Prices and Consumption

When the Thai government floated the baht against the US dollar in July 2, 1997, it immediately began to sink. Within a few days the exchange rate between the baht and US dollar fell from THB26:UDS1 to THB32:USD1. The baht kept falling through THB55:USD1 at the end of January 1998, then it stopped and

[1] See selected bibliography at the end of this paper for examples of such literature. Table 1 gives some comparative statistics that show the state of some East Asian economies.

started to recover, now stabilising around THB37:USD1. With the baht falling so much in value in the last half of 1997, the fear of serious inflation was raised. The consumer price index started to rise in August 1997 and continue to rise until it reached the peak of 10.7 per cent in June 1998. This magnitude of price changes is not large, and what can be used to explain this mild inflation under the condition of drastic devaluation was the abundance of food in Thailand and the downward adjustment in consumption of households in the face of severe economic downturn. But while the general price increase in Thailand was not large, the prices of those items having high import contents were the exceptions. The price of electricity, fuel and water rose by more than 18 per cent in the first half of 1998 compared to the first half of 1997. The price of domestically produced drugs rose by at least 12 to 15 per cent, and the price of imported drugs by 18 to 20 per cent (World Bank 1999, p. 11).

The situation was different in Indonesia. The rupiah depreciated from IDR2,400:USD1 before the crisis in July 1997 to IDR15,000:USD1 in July 1998, and around IDR9,000:USD1 in September 1998. This massive depreciation of the exchange rate was mainly caused by the excessive monetary expansion to save the banking system from collapsing (Feridhanusetyawan, 1999, p. 11). Monetary stabilisation, especially the stable growth of the base money, in the third and fourth quarter of 1998 led to a stronger rupiah at around IDR7,500: USD1. This massive devaluation, coupled with excessive monetary expansion as mentioned earlier, had led to the sharp increase in domestic price levels. Prior to the crisis, inflation was maintained at a level below 10 per cent. During the first half of 1998, however, the price level rose rapidly, reaching a record 12.8 per cent in February 1998 alone. Cumulative inflation reached 70 per cent level in September 1998. Because of the increasing monetary stability in October and November 1998, the inflation was brought under control in the fourth quarter of 1998 so that the final cumulative inflation in 1998 was around 77.6 per cent (Feridhanusetyawan, 1999, p. 9). The suffering of the Indonesian people through these price increases are quite obvious. The prices of foodstuff rose by more than 118 per cent in 1998. Clothing prices increased by 98.7 per cent, followed by health products and services by 86.1 per cent. Housing prices also increased by 47.5 per cent, with even higher increase in the housing equipment by more than 126 per cent. With so much increase in the prices of necessities, the consumption patterns of the majority of Indonesian people were adversely affected. Secondary and tertiary spending on such things as clothing, health services, education and housing has to be reduced or substituted by increased spending on food. Many commodities were subsidised by the government during the crisis

By contrast, the situation was much better in Korea with regard to inflation and its effects on people's consumption. Despite a deep devaluation of its currency from about WKR900:USD1 in mid-1997 to about WKR1,700: USD1 in early 1998, the price level in Korea did not rise very precipitously. The inflation in 1997 was a low 4.4 per cent, whereas the rate for 1998 was only slightly higher at 7.5 per cent (World Bank, 1999, p. 17). As such the impacts of price increase on the consumption of the Korean people appear small. The more severe social impacts in Korea are found in the area of increased job-losses and unemployment, in which we turn next.

Before we do that, however, there is an important finding that links price increase with lower consumption and greater poverty incidence. Gupta et al. (1998) reported a study by Vinod Ahuja and others on the effects of change in mean consumption expenditure on poverty. Their study on Thailand had found that the elasticity of the head count index with respect to mean consumption expenditure for the period 1985-1995 was about –1.86, implying that if mean consumption expenditures fall by 10 per cent, the head count index would increase by 2.8 percentage points in Thailand. Similar study for Indonesia had shown an even larger elasticity between –2.7 and –2.8. As about 30 per cent of the Indonesian population clustered just above the poverty line, the change in poverty would be very sensitive to the decline in mean consumption.

2.2 Unemployment and Changes in the Labour Markets

Perhaps one of the severest shocks in the aftermath of the onset of currency crisis in July 1997 in Thailand was the credit crunch associated with the sudden outflow of foreign capital. The inability of many firms to service their debts either because of the failure in their business operations, or because of the lack of credit sources, had resulted in these companies ceasing operations or closing down. Those companies that were still able to operate had to cut down their scale of operations, and to lay off workers was one of the most common practices of these troubled firms. Indeed, the gloomy economic atmosphere gave rise to the loss of business confidence, and several companies, though not in a dire situation, used this occasion to trim their operating costs by laying off some of their highly-paid workers. This added to the rush to reduce work force, and the increased in unemployment was a major problem early on in the crisis.

According to the February 1998 round of the Labour Force Survey of Thailand, the first to capture unemployment impacts of the crisis, the total number of unemployed more than doubled from almost 700,000 (2.2 per cent of the labour force) in February 1997 to 1.48 million people (4.6 per cent) in February 1998 (NESDB,

1998, p. 6). But we were warned not to look at this figure alone because unemployment is expected to be higher in the dry season than in the wet season. The seasonally adjusted unemployment figures showed an increase in unemployment from 0.43 million in the wet season of 1997 to 1 million in the dry season of 1998 and to 1.69 million in the wet season of 1998. What this means is that the impact of the crisis on unemployment rate in Thailand is very severe. The seasonally adjusted unemployment rate in the wet season of 1998 was 5.28 per cent (NESDB, 1998, p. 7). On underemployment defined as the number of full-time equivalent employed persons who are actually working less than 35 hours per week (although they are willing and capable of working longer hours), the seasonally adjusted underemployed persons numbered about 0.19 million in the pre-crisis period (wet season of 1997), increasing to 0.29 million in the dry season of 1998, and to 0.33 million in the wet season of 1998. This means that the economic crisis had contributed to an increase in underemployment by 61.6 per cent between the two wet seasons in 1997 and 1998.

In all, it could be said that there was a great upheaval in the employment situation as a result of the currency turned financial turned economic crisis in Thailand. A great deal of retrenchment and job losses took place in the early months of the crisis, but it must be recognised also that the laxness in the enforcement of the labour laws with regard to the severance pay, and the coincidental opportunity to streamline employment structure in several companies may be attributable to this vast increase in unemployment. Perhaps even severer unemployment problems occurred in Korea where the corporate governance issues came under much greater criticisms. In other words, many companies in Korea failed to continue their operations because the creditors lost their trust and confidence in these firms' operations and refused to rollover their debts, forcing company foreclosures and bankruptcies.

As Korea is already a newly industrialised country, its employment structure is heavily oriented toward formal manufacturing and services activities where changes in employment can be quickly affected by economic boom or downturn. The above phenomenon is evident in the sudden increase in unemployment when the economy plunged into crisis in late 1997 and early 1998. As can be seen from Table 1, the number of the unemployed increased from 0.561 million during the fourth quarter of 1997 to 1.179 million during the first quarter of 1998. These unemployed workers continued to grow throughout 1998, reaching the peak around 1.749 million during the fourth quarter of 1998 before reducing to 1.435 million in the first quarter of 1999 when the economy has started to recover from its first full year of economic recession. The unemployment rate reached 8.4 per cent

during the first quarter of 1999, compared to only 2.6 per cent before the crisis in late 1997.

For Indonesia, the effect of the crisis on employment is also very severe but different from the problems of Korea. As pointed out by Feridhanusetyawan (1999), the Indonesian labour market is dominated by the informal sector which makes it very difficult to precisely measure the employment reduction. The formal sector accounted for only around 35 per cent of the total employment in 1996, and even this the report on lay-offs in the formal sector is not strictly enforced. However, the use of growth induced employment elasticity technique has shown that around 5.4 million workers lost their jobs in 1998, and about 3.6 million of these retrenched workers from the formal sector were absorbed into the informal sector (Feridhanusetyawan, 1999, pp. 19-20). In terms of unemployment rate, the statistics from the Ministry of Manpower, the National Planning Agency, and the International Labour Office (ILO) have shown that open unemployment rate would range from 10 to 14.8 per cent or around 9.3 to 13.7 million persons. But similar to the case of Thailand, the Indonesian labour market is much more flexible than the Korean labour market. Not only that the movement of workers between formal and informal employment is more prevalent, the adjustment of real wages to the changing demand and supply conditions is much more common in Indonesia, which, to a large extent, helps cushion the deleterious effect job losses from economic crisis.

2.3 Income, Poverty and Income Inequality

As mentioned in the last section, the adjustment in real wages in the face of changing demand and supply for labour has contributed to the lessening of the impacts of economic crisis in Indonesia. Some workers are willing to remain in the same jobs with reduced wages or salaries or fringe benefits; some may readily accept other lower paid jobs to replace the recently lost jobs, the situation which is quite similar to Thailand. It is also true that the effects of the crisis hit different people in different regions differently. In the case of Indonesia, it was found that both urban and rural areas of Java have been hit the hardest during the crisis. In terms of the reduction in real wages, Java as a whole has experienced the largest fall compared to all other regions except East Timor. As for the distribution of income (or rather, distribution of expenditure) as a result of the crisis for the whole of Indonesia, a recent study by the World Bank has found that the fourth quartile of the population (who could be called the upper middle class) was hit harder during the crisis. Measured in terms of the changes in the mean values of per capita expenditure, it was found that these top quartile households experienced a 54 per cent reduction in mean per capita expenditure, whereas the lowest or poorest quartile experienced a 120 per cent increase in mean per

capita expenditure. Relatively speaking, therefore, the higher income group suffers from the crisis more than the lower income group in Indonesia.

But, what happened to the absolute change in poverty level as a result of the economic crisis? Certainly it gives no comfort to see that the lower income group was hit less hard than the higher income group if the lower income group themselves experience an absolute fall in income and plunge into poverty. In the case of Indonesia, several studies using different poverty cut-off incomes (or expenditures) and methodologies have shown that the crisis has increased poverty incidence in Indonesia. [2] This increase in poverty incidence could range from 11 to 18 per cent in one study, whereas it could increase from 20 to 33 per cent in another study. In terms of population, these estimates show that the crisis has led to an additional 60 to 70 million people living under the poverty line in Indonesia in the two years from 1996 to 1998. [3]

In Korea, poverty problem per se is not so pertinent or severe as the country has grown very rapidly in the last few decades, and the basic form of dire poverty has been eliminated. The statement that is often cited is that the combination of high growth and full employment permitted a reduction in the poverty rate among urban households from 20.4 per cent in 1975 to 7.4 per cent in 1995. (World Bank, 2000a, p. 1). However, according to the existing studies on poverty (which are not many), it was shown that the incidence of poverty did increase during the crisis. In a World Bank study in 1999 (World Bank, 1999a), it was found that the urban headcount index has increased from 8.5 per cent in the fourth quarter of 1997 to 15.8 per cent a year later. [4] The distribution of income, however, remains fairly equal throughout the crisis.

In Thailand where poverty studies are probably more developed than in Indonesia or Korea, the impacts of the crisis on poverty and income inequality are quite thoroughly investigated. In a study by Kakwani for NESDB, the Thai Planning Board (NESDB, 1998 and 1999), he has shown that the crisis has raised the incidence of poverty from 11.4 per cent in 1996 to 12.9 per cent in 1998, or an increase of about 13.2 per cent. However,

---

[2] For a summary of different findings from various studies, see Feridhanusetyawan, 1999, pp. 41-46.

[3] This level of poverty is considered by many scholars and researchers as too high. The recent information for the Indonesian Bureau of Statistics gave the number of the poor as a result of economic crisis in 1998 as 37.5 million or about 18 per cent of the total population for that year.

[4] By regional standard, this incidence is quite high. But that could be because this World Bank study used a national poverty line equivalent to about US$4:day, whereas in other countries, the equivalent poverty line is only US$1:day or US$2:day.

because there was already a long-term trend of poverty reduction prior to the crisis, the impact of the crisis must take this trend into account in measuring the true effects of the crisis. By estimating the expected value of the poverty incidence along the usual trend, which should be about 10.8 per cent in 1998, the actual poverty incidence of 12.9 per cent would mean that the true impact of the crisis on poverty in Thailand is about 19.7 per cent, not 13.2 per cent. [5] The distribution of income as a result of the crisis has shown that the share of income of the lowest quintile (poorest) has remained unchanged at 4.8 per cent, whereas the share of the highest income (richest) has increased from 53.3 per cent in 1996 to 53.9 per cent in 1998. The remaining three quintiles in the middle have shown a declining share. The outward stretch of income of the richest quintile obviously increases the disparity of income distribution, and the Gini ratio of income distribution in Thailand in 1998 was estimated at 0.481, a slightly worsening trend compared to 0.477 in 1996.

2.4 Health, Education and Other Social Activities

What have been the impacts of the crisis on health, education and other social services available to the people in the three affected countries? Prior to the crisis, the health status of the Thai people could be considered satisfactory compared to a decade ago. The crisis which raised the prices of goods and services, including health services, and the reduction of real wages and income, has caused a change in the behaviour of the Thai people. A Brooker Group study in 1999 had shown that the household real expenditure on medical care among Thai families declined by 41 per cent between 1996 and 1998 (Knowles, Pernia and Racelis, 1999, p. 26). This can be looked upon as a natural reaction to a fall in income when the main component must be spent on food first. A similar situation happens in Indonesia where the percentage of children ages 0-15 who used any health services during the past month declined from 26 to 20 per cent, the proportion of people reported ill who sought care at a public health centre declined from 47 to 37 per cent. Both in Thailand and Indonesia, there were reports of increases in health problems related to the stress of life under crisis. In Korea, the government expenditure on health declined sharply between 1997 and 1998, but the number of outpatient visits in 1998, both public and private, increased by 3.8

---

[5] This may be large, but if the natural trend of poverty reduction is very strong, then the worsening poverty due to crisis could reverse as soon as the economic recovery takes place. There is another way of measuring the impacts of the crisis on income and welfare of the Thai people, however. Kakwani in his work for the NESDB had shown that, compared with 1996, the average real income of the Thai people fell from 3,830 baht in 1996 to 3,753 baht in 1998, or a fall of about 2 per cent. In terms of per capita welfare, however, the per capita welfare defined as the percentage of excess income households have over their poverty lines fell from 386 per cent in 1996 to 370 per cent in 1998 or a fall of 7.9 per cent. See NESDB, 1999

per cent. This is an increase at a lower rate compared to the increase in 1997 of 9.5 per cent. (Knowles, Pernia, and Racelis, 1999).

Impacts on education probably receive greater concern from the public because the long-term effects of education can be very large. In both Indonesia and Thailand, there is little, if any, evidence that the crisis has led to reduced primary school enrolments. But for secondary education, there were speculations of increased school dropouts during the crisis, because poor parents found it difficult to keep their children in school. However, available macro-level statistics are conflicting on this point. In Thailand, the Socio-Economic Survey in 1998 has shown that between 1996 and 1998, the number of students not attending schools declined in all levels of education including secondary schools. It is possible that the lack of job opportunities under economic crisis prevent the parents from withdrawing their children from schools to work. Besides, as will be shown later, the government has done its best to keep these children in school. [6] In Korea, the crisis is associated with declines in kindergarten, primary, and middle school enrolment but with increases in high school and tertiary school enrolments. This probably reflects not only a strong income effect (parents tend to regard kindergarten as a luxury), but also decreased demand for childcare due to the decline in female employment. (Knowles, Pernia and Racelis, 1999, p. 26). The increase in high school and tertiary education could reflect the decline in the opportunity cost of schooling (foregone earnings) due to steep increase in unemployment.

Apart from health and education there are few other activities having a clear cut crisis impacts. In Indonesia, the crisis brought about racial conflicts between the indigenous Indonesians and the Chinese Indonesians, and religious conflicts between the Muslims and the Christians. None of these had happened in Thailand where the relative lack of civic violence helped the government to concentrate on the economic solutions to the crisis. Nevertheless, there was a major political change in Thailand as a direct result of the crisis. One coalition government fell, and another, more popular coalition government took over. Change in government also took place peacefully and democratically in Indonesia during the crisis, which should be looked upon as a positive improvement in a situation where the former government stayed in power for more than 30 years and was a cause of the current economic difficulties. Political environment and development was much more congenial and conducive to problem

---

[6] In Indonesia, the situation is similar, that the nation-wide data source like the Susenas did not provide convincing data on the changes in enrolment rates for children. However, the smaller size Indonesian Family Life Survey (IFLS) did show a significant dropout rates among children.

solving in Korea than in the other two affected countries. Korea had just elected a new popular leader who was resolute and decisive in his handling of the economic crisis. And this is one of the reasons Korea has come out of the crisis sooner than Thailand or Indonesia. [7]

3. Policy Responses to the Social Impacts

All three affected countries exhibit similar origins of the crisis, the courses or developments of the crisis, and the solutions to the crisis. All three had allowed large inflows of foreign capital, largely with short-term maturity. A large part of this money was spent on speculative purposes rather than productive purposes. In the meantime, the financial sector became weak and inefficient, and the authorities' roles in regulatory and supervisory controls became lax. The corporate governance was also weak and non-transparent, while the public authorities were committed to some policies that were untenable, such as keeping fixed exchange rate regime while allowing free flows of capital. The crisis had manifest itself through sudden and large outflow of capital, creating a tremendous squeeze on domestic liquidity. Inability to raise or secure funds or credits from both within and outside the countries, caused many firms to go under, releasing large pool of unemployed workers. The lack of productive activities led to the contraction of the economy, further exacerbating the fall in domestic demand and more job losses. The loss of, or inadequate foreign reserves, had forced the three countries to seek help from the IMF and other countries, notably Japan. Similar prescriptions were given by the IMF: stabilise the exchange rate to reduce outflows of old capital and introduce new one, quick but thorough reform and restructuring of the financial sector, liquidating ailing and non-viable financial institutions, recapitalise the existing ones, increase exports, maintain domestic inflation, and so on. These are to maintain macroeconomic stability. To generate growth that will bring the economy out of recession, the government cut taxes and increased public spending through borrowing and other commercial activities, and tried to increase private investment, and helped bring about quick corporate debt restructuring so that the financial sector can start expanding credits again. Countries that succeeded in accomplishing the above tasks first, were more likely to get back to normal first. And it appears that Korea had won the gold medal for the first place, with Thailand coming second, and Indonesia struggling to follow suit.

In order to cope with the social impacts described above, each country has devised different ways and means of tackling those social problems. Each country will depend on its own

[7] For an excellent account on how President Kim Dae Jung handled the Korean economic crisis, see Haggard, Pinkston and Seo (1999).

internal policy arrangements using domestic resources and external assistance through various assistance programs provided by international organisations or governments. [8] It is interesting to analyse the ways each of the three countries had conducted its policy to mitigate or alleviate the social costs of the crisis. We will start with Korea, the most successful case, followed by Thailand and Indonesia. [9]

3.1 Korea

It is not far from the truth to say that the most direct social outcome of the crisis in Korea is the incidence of unemployment. Therefore, it was natural that the government would attack these unemployment problems first. According to Cho (1999) and ILO (1998), the Korean government had devised a framework to deal with unemployment problems consisting of measures to accomplish four objectives: job keeping, job creation, job placement and training, and social protection. The job-keeping program was designed to help viable, profit-making but troubled firms from collapsing. Under this program, support was given to firms both in financial terms as well as through the Employment Insurance System (EIS). The job-creation program aimed to create new jobs out of public investment projects, public works projects, and support for business startups. In 1999, this job-creation program had received the top priority among unemployment policies. For job-placement and training programs, the aim was to enhance the employability of the unemployed, and to expand the networking system for job matching and eventual reemployment. Finally, the social protection program aimed to provide financial support and protection to the unemployed by unemployment benefits, employment-related loans, public works, and so on.

As can be seen from Annex 2, Korea is already blessed with a well-functioning system of social insurance and social protection programs that provide safety nets to the unemployed when the crisis hit in late 1997. The Employment Insurance System (EIS) was established in December 1993 and became fully functioning in July 1995. When the EIS came into effect, there were already 3 other social assistance systems in operations: the Industrial Accident Insurance system (1964), the Medical Insurance system (1977), and the National Pension system (1988). The EIS began by covering regular workers in enterprises with more than 30 employees. The size of enterprises to be covered was reduced to

---

[8] See Annex 1 for the details of external assistance to the three affected countries by various international organisations and governments.

[9] The following account draws on several studies which address the issues of mitigating the social costs of economic crisis. Examples of these studies are Lee and Rhee (1998), TDRI (1999), World Bank (1999 and 2000), Gupta et al. (1998), ILO (1998), Lee (1998), Cho (1999), Feridhanusetyawan (1999), and Marshall (1999).

10 employees in January 1998, and 5 employees in July 1998. The unemployment benefits consist of job-seeking allowances and employment promotion allowances. To receive unemployment benefits, the claimant must be insured for more than 6 months, and the benefits are granted for 60 to 210 days depending on the claimant's insured employment period and age.

As reported by the World Bank (2000a), the Korean government had spent more than 1.1 trillion won in 1998 on training, employment subsidies and other active labour market policies. Moreover, income support was provided for the 450,000 elderly through a new non-contributory and means-tested 'social pension' for those over 65 years of age. The government is also undertaking a series of fundamental reforms to improve labour market flexibility and greater coverage, and ensure the profitability, transparency and accountability of the pension system. In all, the Korean government has succeeded in implementing its social assistance and social protection systems during the time of crisis, which had substantially reduced the social costs of the crisis in this country.

3.2 Thailand

One of the first social policies to cope with the crisis in Thailand was also employment-related policies. The Thai government has asked various employers and firms to keep their workers as long as possible. The Ministry of Labour and Social Welfare created 15 teams of officials to help enterprises in Bangkok and vicinity to find alternatives to lay-offs. The Ministry also maintained active employment centres around Bangkok and vicinity to register unemployed workers and provide job information. It appeared that, during crisis the labour-management relations were working smoothly to find the least painful solution to the crisis. On general government expenditures earmarked for social problems, the government, in its agreement with the IMF, would maintain the levels of spending on health and education (while spending on other items were cut back). Below is an account on how several social policies in Thailand have been conceived and implemented.

(a) Social Investment and Social Safety Net Programs

This current crisis has hurt many people in different sectors differently. In the public sector, public servants who are normally paid less than their counterparts in the private sector may lose some of the fringe benefits that come with the jobs such as medical allowances, supplementary salaries based on special qualifications or entertainment expenses due to government budget cuts, but they will maintain their jobs. The long-standing policy of the government to freeze the size of the public officials by allowing no more than 2 per cent increase in of the existing work force annually

actually helps those who remained in the jobs because the government does not need to incur heavy additional costs to look after new officials. In order to absorb the overflow of unemployed workers from the private sector, the government may be pressured to increase the employment in the public sector. The political officials or politicians will be forced to be more careful in their spending as they will be subject to increasing scrutiny. They are believed to be more socially conscious as well. The adoption of the new Constitution in October 1997 would not have gone smoothly if the economy was not in crisis and the politicians are having more time to engage in political debates.

As for the private sector, three groups of people could be divided: the professional and business people and entrepreneurs in the modern production, service or financial sectors, the wage and salary workers, and the farmers. The first group of people are those who are most adversely affected by the current economic crisis because economic slowdown is translated into less economic activities and income. Those who had borrowed overseas without exchange rate cover would find that their foreign debts increased along with the depreciation of the baht. If the understanding creditors allow for debt rollovers, then the hardship could be postponed. If not, the debt burden could bankrupt their businesses. The tight monetary policy and credit crunch could also work against these business entrepreneurs as they face the genuine danger of debt default if necessary credit is not ready to come by. That is why ready credit in time of recession is so important to maintain the activities of the economy. The increase in business bankruptcies as a result of current economic crisis, had prompted the Thai government to amend its bankruptcy law. The new Bankruptcy Law permits corporate reorganisation as opposed to liquidation, increases the scope for out-of-court settlements, and also ensures fair treatment of creditors.

The wage and salary workers are also affected by job losses. These people may benefit from availability of credits but only through the regeneration of jobs and employment by the first group of people. Lack of unemployment benefits in the Thai social security system make these workers very vulnerable to hardship. Some may have to find a new job completely in order to survive, and a majority of these unemployed wage and salary workers may have to depend on their families at least in the short-run until business activities improve, or a new job is found. Wage workers who came from the countryside may choose to return to the rural areas where family supports are still available.

Finally, the farmers may be the only group of people who could benefit from this crisis. Assuming that their production inputs are mainly land and labour which have little import

contents, their products would be in greater demand through depreciated exchange rate (as is actually the case with regard to the production and exports of high-quality rice). However, they could not escape the impacts of inflation brought about by the increase in the costs of production of other necessary household goods and services. Moreover, the burden of the farm sector in the rural areas in looking after members of the families who had gone to work in cities but returned home after job losses could put a great deal of pressure on these farmers who are generally the least well off in the society.

It is the concern for the welfare of these farmers and retrenched industrial workers that mainly prompted the government to set up a separate social investment and social safety net programs. These programs can be considered as consisting of four important elements as follows.

(b) Social Investment Project (SIP)

The government has received about 21.7 billion baht-worth of loans and grants from the World Bank, ADB, the OECF, UNDP and the Australian Agency for International Development (AusAID) in a project called Social Investment Project (SIP) for the purpose of helping those who are affected by the crisis. The immediate aims of the SIP are to reduce the rate of unemployment in the country by creating jobs, and to improve the delivery of social services by strengthening local governments and local authorities; inviting participation from the local people, and in encouraging transparency in policy making.

The first part of the funds will be managed by the Ministry of Finance with money to go to the Ministries of Interior, Public Health, and Labour and Social Welfare; the Tourist Authority of Thailand, and the Bangkok Metropolitan Administration (BMA). The second portion (about 6 billion baht) will go the Social Investment Fund (SIF) and the Regional Urban Development Fund (RUDF) and will be managed by the Social Fund Office (SOFO) under the responsibility of the Government Savings Bank. The SIF with the budget allocation of about 5 billion baht will be administered as grants to community development projects to be carried out by the community organisations, whereas the RUDF with about 1 billion baht-budget will be used in the form of loans to municipal administrations throughout the country to spend on urban development projects. The SIF projects will be proposed and prepared by local community organisations under the guidelines provided by the SOFO. These project may be classified into four types or categories. Project Type 1 will aim at encouraging career education and community economic development. Project Type 2 is about social welfare and community security. Project Type 3 concerns natural resources and environmental management and

cultural support. And finally, Project Type 4 will promote community capability and networking development.

(c) Social Sector Program Loan

The government had decided to borrow 500 US dollars from the ADB to be used in the reform of the three areas, namely in labour market and social welfare, in education, and in public health. The first lot of 300 US dollars has already been disbursed, with the remaining 200 US dollars to be withdrawn soon. On labour market and social welfare, the government had agreed with the ADB to do the followings: (a) set up Centres for Retrenched Workers in various provinces to provide information on new employment and job training; (b) extend the social security coverage to retrenched workers to include sickness outside work, maternity leave, invalidity and death benefits; (c) increase competition in labour market by reconsidering the overall labour and minimum wage policies; (d) encourage investment in on-the-job training along the line supported in the Job Training Act B.E. 2537, and the participation of the private sector in the skill development of labour.

On education, the government will increase the budget for education loans to help students who may have to leave schools due to financial problems. The quality of education may be improved also by the improvement in instruction techniques and qualifications of instructors, and the greater autonomy in administrative and financial matters, and the greater role of the private sector in educational services and administration. On public health, the government had decided to help the poor and the low-income by increasing the budget on the Public Assistance Scheme from 4.9 to 7.0 billion US dollars, and increasing the number of Health Cards from 1.5 to 2 million which are expected to cover 9 million people by March 1998. ADB had also agreed to give 700,000 US dollars-worth of technical assistance to each of the three areas. [10]

(d) Other Social Programs

On health and education, over the last two years, a growing body of evidence is showing that families and government programs acted to cushion impacts in health and education: (NESDB, 1998).

- Health and education outcomes have shown little or no discernible declines from past positive trends.

[10] With the NESDB responsible for social reform project, the National Educational Council for educational management and finance project, and the Ministry of Public Health for health management and finance project.

- Families rapidly and substantially adjusted their spending and savings strategies to cope with less income security and to preserve health and education attainments.
- The Ministries of Education and Health adjusted expenditure priorities and supplemented sensitive programs to sustain service availability at or above pre-crisis levels and to contain out-of-pocket costs to Thai families.
- Use of public health and education services expanded during the crisis, including basic services, and school dropouts in particular show a limited or negligible crisis response depending on the data source.
- Although precise targeting of the poor and unemployed proved difficult to accomplish, government programs and budgets during the crisis appear to have preserved or bettered pre-crisis efficiency levels for costs and revenue.

The Bank for Agriculture and Agricultural Cooperatives (BAAC) is well known for its role in providing rural credits for farmers throughout the country. During this current crisis, the government has plans to help the sugarcane farmers during the 1998:99 growing season by agreeing to provide 4 billion baht to the BAAC to purchase on discounted basis the so-called sugar support cheques from sugar farmers. Other agricultural-related projects include, for example,

- The 3.3-billion-baht structural adjustment loan (SAL) project from the World Bank to create rural employment;
- The 12.3-billion-baht credit program from the ADB to promote occupations related to agriculture;
- The 6.23-billion-baht loan project from the OECF to promote reforestation and the protection of the environment;
- The change in the BAAC Act to increase its role in the promotion of the agricultural occupation and the augmentation of farm income, and the raising of the quality of farm life in general.

In December 1998, Mr. Obuchi Keizo, the Japanese Prime Minister announced at the ASEAN Summit meeting in Hanoi that Japan would provide up to 30 billion US dollars as an additional funding for countries beset by the current economic crisis to be spent in the social sectors to help alleviate the adverse impact on the people. This new aid package is later widely known as the New Miyazawa Initiatives or Miyazawa Plan. Thailand was quick to make use of this New Miyazawa Initiatives. A special loan from this plan plus additional loan from the World Bank combined with the reduction in the VAT rate from 10 to 7 per cent and a general reduction in energy costs formed an economic stimulus package that was launched by the government on March 30, 1999. This

economic stimulus package which amounted to some 53 billion baht is expected to quicken the recovery process of the Thai economy. It should be noted that the spending under the Miyazawa Initiative is very much for the purpose of generating domestic demand and providing needed social safety nets for the poor people. In this respect, it may be difficult to judge the effectiveness of these funds through efficiency criteria. The spending of funds by local governments involving public works projects may not result in long-lasting products or structures but at least poor people can engage in gainful employment and earn needed income to survive for the time being.

In all, it may be seen that the government has tried its utmost to help the farmers, the retrenched workers, the poor and the needy during this economic crisis. Although the amount of money involved in this social investment and social safety net objective is much less than that involved in the rescue of the financial sector, it is still much larger than at any other time in its modern history. The amount of debts to the World Bank, ADB, and OECF is expected to take the Thai government many years to pay off. But this indebtedness is justified in the sense that this will go to help the majority of the Thai people who had no part in bringing about the collapse of the Thai economy. However, the government still has to be careful about the efficiency in the spending of this borrowed money because it has to be paid back by the future generation of the Thai people.

From the above account, it is quite obvious that the Thai government has been trying very hard to cope with the worsening crisis and to get the economy out of it as quickly as possible. Two conditions outside the good functioning of the above prescribed policies had worked to help the present government. One is the relative stability of the government, and the other is the patience of the Thai people. Despite the coalition nature of the government, the leadership of Mr Chuan Leekpai as the Prime Minister and head of the coalition had commanded respect from both within the country and outside it for his honesty and hard work. The patience of the Thai people had helped the government to concentrate on the work at hand without having to worry about popular protests or strikes. Thailand is lucky to still have a large rural sector where a large portion of industrial workers can always return. The Thai government’s faithful adherence to external obligations and liberal regimes of trade and investment had helped to win back foreign confidence quickly.

3.3 Indonesia

In comparison with Korea and Thailand, the labour unions of Indonesia had had relatively little role in working with the government or business enterprises to find alternatives to lay-offs.

That could be because the unions themselves were weakened by the loss of membership resulting from lay-offs. However, Indonesia has a good alternative in public works program which was maintained even before the crisis. During the crisis, this public works program which came under direct Presidential Initiative (*Inpres Desa*) was expanded. An estimated 1.7 trillion rupiahs (about US$800 million) were used to support urban and rural job creation and micro-credit programs. The funding for this program came in part from loans and grants from the World Bank, Asian Development, and bilateral agencies, and the implementation of the program was done in cooperation with NGOs and other community-based groups. [11] To lessen the impact of price changes, the government has made extensive use of subsidies and other measures to control consumer prices during the crisis. The government has imported an estimated 5.35 million tons of rice in April 1999 and sell this imported rice to the poor at a subsidy. Apart from rice, corn, sugar, soybean meal, and fish meal also received across-the-board subsidies through the state food import monopoly. Exchange subsidies were also provided for some items such as medicines, while other straight subsidies were provided for such items as fertiliser, livestock feed, and gasoline. Several price increases on public utilities were postponed. Other policies include: (Gupta et al., 1998; World Bank, 2000; Knowles, Pernia, and Racelis, 1999).

- The rural credit schemes to reach 6 million families, including subsidised credit for small and medium-scale enterprises and rural cooperatives.
- The distinctly pro-poor public spending on primary and secondary schools. The program calls for the implementation of 9 years of education for all children. Provision is also being made for scholarships for needy students.
- The elimination of a number of restrictions and taxes on interprovincial and intraprovincial trade to facilitate the flow of goods across regions.
- To minimise the potential declines in enrolment, the government launched ‘Stay-in-School’ campaign to keep children in school through mass media advertisements. In addition, block grants will be given to the poorest 40 per cent of primary and junior secondary schools to compensate for reduced fees and increased costs.

Despite a clear-cut program as mentioned above, it was reported that efforts to maintain government spending on health and education at constant real levels have not been successful. (World Bank, 1999c). Total public sector health spending fell by 8 per cent in 1997:98, and a further 12 per cent in 1998:99. The gap

[11] For details of assistance from outside funding agencies, see Annex 1.

between the budgetary allocation and actual expenditure has also increased since the crisis from 10 per cent in 1994-97 to 32 per cent in 1998:99.

In closing, we would like to point out a similarity between households in Thailand and Indonesia in coping with the economic crisis, a similarity that is missing in the case of Korea. As pointed earlier, Korea is already an industrialised economy where more than 90 per cent of the workers are engaged in industrial and service activities, whereas in Thailand and Indonesia, an overwhelming proportion of the population is still engaged in agriculture. As such, a vast agricultural sector in Indonesia and Thailand acts as a cushion that absorbs the shock of economic crisis. Retrenched workers in cities returned to their respective home towns and villages in the countryside, living with their families or relatives for a while until a new job comes along. As the costs of living in the countryside are low, these rural households were not unduly burdened with temporary unemployed workers. Had it not been for this rural-based economy still prevalent in Indonesia and Thailand, the adverse impacts of the crisis would have been much more severe. For Korea, it was fortunate that Korea already had had an extensive social security system installed, so that when the crisis struck, this social security system served as a cushion or shock absorber for the unemployed workers for the same effects as the existence of large agricultural sector. However, it must be noted that eventually the social security system a la Korea must also be adopted and implemented in Thailand and Indonesia.

4. Measures for the Future

The financial turned economic crisis in East Asia has been very costly to many of these East Asian countries. The economic contraction has been most severe in Indonesia when the rate of growth of GDP in 1998 was minus 13.2 per cent, followed by Thailand with minus 9.4 per cent, and Korea with minus 5.8 per cent (World Bank 1999a). The last two sections had talked about the social costs and policies to contain them. In contrast, this section will focus on the need to strengthen policies and institutions over the medium term so as to reduce the risk of similar crises in the future, or better handle the social consequences of these crises if they are inevitable. Measures for the future consist of 5 sets of policy reforms as follows.

4.1 Strengthening Financial and Corporate Sectors

As the crisis in each of the three countries was brought about mainly by the failure of the financial and corporate sectors to observe and maintain standard best practices in financial management and good corporate governance, it is only natural that

to avoid similar mistake in the future would be to reform these sectors. As part of the IMF conditionalities regarding the reform of the financial sector in all three countries, the three government closed down weak and non-viable banks and finance companies, forced the remaining institutions to recapitalise and maintain standard capital adequacy ratios, tightened the rules concerning banking regulations and supervision, changed the existing bankruptcy laws to make companies more aware of the risks of bad business practices but, at the same time, to give a fair chance to both creditors and debtors to restructure their debts with a greater chance of business rehabilitation. There were several mergers and re-organisations in the banking sector, many with foreign participation, all these for the strengthening of the financial and corporate sector in the three respective countries. Once the reform is successful and regularly maintained, it is expected that the crisis of the type and nature that happened in the three economies in the latter part of 1997 should not happen again. Thus, the social costs of the crisis would not occur.

4.2 Strengthening the Public Sector

While it is true that the current crisis was brought on mainly by the undoing of the private sector, the government could have helped revert the crisis if it were stronger or more judicious. The monetary authorities in each country need to be more astute in their supervision and regulation of the financial sector. The fiscal authorities also need to be more alert to the efficiency of revenue collection and public spending. The privatisation of state-owned enterprises which seems to be the adopted policy in the three countries continues to unfold. This not only will give the government additional revenue to pay back massive loss of public funds through rescue efforts in the financial sector prior to the crisis, the management by the private sector could bring in greater efficiency in their operations. Greater dependence on market forces with regard to such policies as flexible exchange rates and increased free trade and competition should strengthen the public sectors of the three countries so that they can play a better role at preventing crisis in the future or resolving that crisis quickly when it occurs.

4.3 Strengthening the Social Welfare System

Perhaps there is less need to strengthen the social welfare system in Korea than that in Indonesia and Thailand. As mentioned earlier, Korea already has a well-functioning social welfare system in place and working, and it had demonstrated its efficacy during the current crisis. However, even for Korea, there are rooms for improvement. As for Thailand, the present social security system is working well so far, but it is still not a fully funded system, so there is a risk of future problems if there are a drastic change in the way the social security funds are being invested or used up. The most

urgent need to strengthen the current social security system of Thailand is probably for the authority to include the unemployment insurance in the present social security system as soon as possible. Many proponents of this unemployment insurance are already using the current crisis to point to the weakness in the social safety net of the country, and suggest the adoption of this system of social protection. [12] What is true for Thailand regarding the need for more extensive social welfare system is also true for Indonesia. As these two countries mature into more industrialised economies, the social security and welfare systems as found in Korea would be the likely outcomes.

4.4 Strengthening Specific Policies for Specific Vulnerable Groups

There are several ways people can suffer from social consequences of a crisis. The most obvious that we had talked about above are the health and education problems of those who were affected by the crisis. The government needs to monitor these problems closely and make necessary adjustments as appropriate. For example, in Thailand, the government has to lower the eligibility level of those who would be provided with free medical cards in time of crisis; students whose parents were unable to pay for their tuition during the crisis were still permitted to remain in school; those who might be pulled out from school to help with the family earning were encourage to stay on through financial incentives; and so on. These specific policies must be readily in place and readily adjustable for specific vulnerable groups of people such as the elderly, women and children. Another good example in the case of Thailand: elderly people of 65 and over who are without supporters will now receive a 50 per cent increase in their monthly allowance, on top of other social services like a free medical service for life. A 9-year compulsory secondary education is now enforced in Thailand, not only to equip future workforce with higher skill and knowledge but also to reduce the incidence of child labour. To protect poor parents from the loss of foregone income of their children through compulsory schooling, the government is considering equivalent compensation through free textbooks, uniforms, and school lunches. The strengthening of specific policies like these should help lessen the adverse impacts of a future crisis.

4.5 Strengthening Social Capital of the Country

At least for Indonesia and Thailand, the current crisis has shown that coping mechanisms of households in these two countries are working well. The closeness of family ties which provided necessary assistance in time of trouble was clearly evident in the two countries. Beyond the families there were also

---

[12] See, for example, the strong argument for unemployment insurance by Lee (1998).

communities which were also ready to provide help if and when needed. The strong social ties and cohesion via the families and communities create a network that defines the relationship among the people therein that can be called 'social capital'. And the strengthening of this social capital is a necessary step that a country should pursue in order to prepare any current or future crisis. The interest in the strengthening of this social capital is now a subject of various studies. In its latest study on the economic crisis in Thailand, the World Bank had put the issues of social capital in the forefront of the policy for the future (see, World Bank, 2000). Perhaps the following findings from its latest study are indicative of the importance of social capital as measure for the future. These are some of the important implications for social protection (World Bank, 2000, pp. 6-7):

- The informal safety net, and by implication the publicly funded safety net, has substantial gaps and rips, through which some Thai families have fallen far;
- The long-term costs to society of these safety net failure may be high, as the effects are to put more children, families and adults either in orphanages, in prison, in medical care, or sustained welfare support;
- For any future economic downturns, it will be vital to protect families against calamitous declines in income that seem to have led to such behaviours during this crisis. Future social protection programs, therefore, need to reach families directly, as well as indirectly via community organisations;
- To ensure the effective design of these programs, policy-makers need a better understanding of the characteristics of those whom existing social institutions were unable to protect—and why they were unable to avail themselves of the existing safety net;
- The apparent success of community based institutions during the crisis, at least in terms of new activity, may provide a promising avenue for social protection which could merit additional government support;
- Family based coping mechanisms remain effective, and any new social protection initiatives should reinforce the priceless Thai values of self reliance and family cohesion.

5. Summary and Conclusions

In this paper I have attempted to delineate the social consequences of the current economic crisis in Thailand, Indonesia and Korea, and the ways these social impacts are dealt with by the government. Four major types of impacts were discussed, namely the change in prices and consumption, the change in employment and labour markets, the change in income, poverty and income

inequality, and the change in health, education and other social activities. In all three countries, the loss of employment has brought about the loss of income, which affects the normal way of life of the people, such as the way they look after their health and education. Each country has its own ways of dealing with these problems, but the common features in all three countries seem to be that the government would try to carry out necessary financial and economic reforms in the country, to bring back domestic and international confidence as soon as possible so that the economy gets back to the original development path. In the meantime, the government helped provide relief through short-term employment assistance and public-works type activities, and necessary safety net facilities either through unemployment benefits or other social services that reduce the hardship experienced by the people under crisis.

In conclusion, it could be said that the current financial turned economic crisis in many of these East Asian countries had given very valuable lessons to, not just the affected countries, but other non-affected countries as well. The financial sector in the future needs to be strong and disciplined; companies need to operate under more transparent and more cautious systems; the government or public sector needs to provide better regulatory and supervisory frameworks, and be more efficient in its ordinary functions; a more advanced form of social security especially unemployment insurance needs to put in place to provide employment safety net to workers in increasingly industrialised economies; specific policies need to be constantly adjusted to changing social situations so that vulnerable groups of people are constantly being attended to; and finally the family and community ties and cohesion need to be promoted to form a strong foundation for social capital that can better withstand the future shock of a crisis. These are the ways to mitigate the social costs of economic crisis in East Asia now and in the future.

References and Selected Bibliography

Ammar Siamwalla and Orapin Sobchokchai (1998), ‘Responding to the Thai Economic Crisis’, Bangkok: UNDP, 1998.

APEC Economic Committee (1999), ‘APEC Economies beyond the Asian Crisis: a Progress Report by the APEC Economic Committee, September 1999.

Asian Development Bank (1999), ‘Fighting Poverty in Asia and the Pacific: The Poverty Reduction Strategy of the Asian Development Bank’, Manila: ADB, October 1999.

Australian Agency for International Development (AusAID) (1999), Impact of the Asia Crisis on Children: Issues for Social Safety Nets, a report sponsored by the Australian Government for APEC, Canberra, August 1999.

Cho Woo-Hyun (1999), 'The Asian Crisis and Addressing Unemployment in Korea', paper presented at the Manila Social Forum, November 8-12, 1999.

Feridhanusetyawan, Tubagus (1999), 'The Social Impact of the Indonesian Economic Crisis: Labour Market Adjustments', paper presented the Global Development Network (GDN) Conference, organised by the World Bank, Bonn, December 6-8, 1999.

Gupta, S., C. McDonald, C. Schiller, M. Verhoeven, Z. Bogetic, and G. Schwartz (1998), 'Mitigating the Social Costs of the Economic Crisis and the Reform Programs in Asia', IMF Paper on Policy Analysis and Assessment, Washington, D.C.: Fiscal Affairs Department, IMF, June 1998.

Haggard, Stephan, Daniel Pinkston, and Jungkun Seo (1999), 'Reforming Korea Inc.: the Politics of Structural Adjustment Under Kim Dae Jung', ***Asian Perspective***, vol. 23, no. 3, 1999, pp. 201-235.

ILO Regional Office for Asia and the Pacific (1998), 'The Social Impact of the Asian Financial Crisis: Technical report for discussion at the High-Level Tripartite Meeting on Social Responses to the Financial Crisis in East and South-East Asian Countries, Bangkok, 22-24 April 1998.

Jomo K. S. and Diana Wong (1999), 'Social Consequences of Malaysia's Financial Crisis', in Social Impacts of the Asian Economic Crisis: Thailand, Indonesia, Malaysia and the Philippines, Bangkok: TDRI, March 1999, pp. 87-112.

Kakwani, Nanak (1998), 'Impact of Economic Crisis on Employment, Unemployment, and Real Income', Development Evaluation Division, National Economic and Social Development Board and Asian Development Bank, September 25, 1998.

Kelles-Viitanen, Anita (1999), 'Social Inclusion of Vulnerable Groups: A Background Paper for the ADB/World Bank Social Forum on 9-12 November 1999, Manila: ADB, 1999.

Knowles, James C., Ernesto M. Pernia, and Mary Racelis (1999), 'Social Consequences of the Financial Crisis in Asia', Asian Development Bank, Economics and Development Resource Center, Economic Staff Paper no. 60, November 1999.

Lee Jong-Wha and Rhee Chang-yong (1998), 'Social Impacts of the Asian Crisis: Policy Challenge and Lessons', paper prepared for the United Nations Development Programme, Human Development Report Office, November 1998.

Lee, Eddy (1998), ***The Asian Financial Crisis: The Challenge for Social Policy***, Geneva: International Labour Office, 1998.

Manning, Chris (1999), 'Labour Markets in the ASEAN-4 and the NIEs', ***Asian-Pacific Economic Literature***, vol. 13, no. 1, may 1999, pp. 50-68.

Marshall, Katherine (1999), 'Social Issues Arising from the East Asian Economic Crisis: A Work-In-Progress', drafted to be

updated February 1999 following consultations in Bangkok, Thailand, from January 21-22, 1999.

NESDB (1998), 'Impact of Economic Crisis on the Standard of Living in Thailand', Newsletter of the Indicators for Well-Being and Policy Analysis Project, vol. 2, no. 4, October 1998.

NESDB (1999), 'Poverty and Inequality during the Economic Crisis in Thailand', Newsletter of the Indicators for Well-Being and Policy Analysis Project, vol. 3, no. 1, January 1999.

Passadila, Gloria O. (1999), 'Social Impacts of the Asian Crisis in the Philippines', in ***Social Impacts of the Asian Economic Crisis: Thailand, Indonesia, Malaysia and the Philippines***, Bangkok: TDRI, March 1999, pp. 113-134.

Sauwalak Kittiprapas (1999), 'Social Impacts of Thai Economic Crisis', in ***Social Impacts of the Asian Economic Crisis: Thailand, Indonesia, Malaysia and the Philippines,*** Bangkok: TDRI, March 1999, pp. 17-46.

Thailand Development Research Institute (TDRI) (1999), ***Social Impacts of the Asian Economic Crisis in Thailand, Indonesia, Malaysia and the Philippines***, Bangkok: TDRI, March 1999.

World Bank (1999a), 'East Asia Regional Overview', Washington, D.C., 1999.

World Bank (1999b), 'Gender Dimensions of the East Asian Crisis', Washington, D.C., East Asia and Pacific Region, the World Bank, January 1999.

World Bank (1999c), Thailand Social Monitor: Challenge for Social Reform, Bangkok: World Bank Bangkok Office: January 1999.

World Bank (1999d), Thailand Social Monitor: Coping with the Crisis in Education and Health, Bangkok: World Bank Bangkok Office: July 1999.

World Bank (2000a), Social Policy and Governance in the East Asia and Pacific Region, <http:::www.worldbank.org:eapsocial:countries>

World Bank (2000b), Thailand Social Monitor: Social Capital and Crisis, Bangkok: World Bank Bangkok Office: January 2000.

Table 1: Salient Economic Statistics of East Asian Economies

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999e
1. Economic growth (% change of real GDP in domestic currency)													
China	11.6	11.3	4.1	3.8	9.2	14.2	13.5	12.6	10.5	9.6	8.8	7.8	7.5
Korea	11.0	10.5	6.1	9.0	9.2	5.4	5.5	8.3	8.9	6.8	5.0	-5.8	8.5
Singapore	9.7	11.6	9.6	9.0	7.0	6.6	12.8	11.4	8.1	7.6	8.9	0.3	5.5
Taiwan	12.7	7.8	8.2	5.4	7.6	6.8	6.3	6.5	6.0	5.7	6.8	4.7	5.5
Indonesia	5.3	6.4	9.1	9.0	8.9	7.2	7.3	7.5	8.2	7.8	4.7	-13.2	0.0
Malaysia	5.4	9.9	9.0	9.0	9.6	8.9	9.9	9.2	9.8	10.00	7.5	-7.5	4.5
Philippines	4.3	6.8	6.2	3.0	-0.6	0.3	2.1	4.4	4.7	5.9	5.2	-0.5	3.0
Thailand	9.5	13.3	12.2	11.2	8.6	8.1	8.4	9.0	8.9	5.9	-1.8	-10.36	4.0
2. Inflation (% change in GDP deflator or consumer prices)													
China	5.1	12.1	8.8	5.7	6.7	7.9	14.6	19.9	13.2	5.9	0.8	-1.1	-1.5
Korea	5.5	7.5	5.6	10.0	10.9	7.6	7.1	7.7	7.1	3.9	3.2	5.3	1.0
Singapore	0.7	5.7	4.7	4.8	3.9	1.5	3.3	2.8	2.9	1.1	1.4	-1.0	0.4
Taiwan	0.6	0.9	3.3	3.8	3.9	3.9	3.5	1.9	1.9	2.7	1.9	2.5	0.5
Indonesia	15.4	13.0	10.0	7.7	8.8	5.4	8.9	7.8	9.9	8.7	12.6	73.0	18.0
Malaysia	5.5	3.6	4.5	3.8	3.6	2.4	4.0	3.9	3.6	3.7	3.3	9.1	3.5
Philippines	7.5	9.7	9.0	13.0	16.5	7.9	6.8	10.0	7.6	7.7	6.0	10.8	8.0
Thailand	4.7	5.9	6.1	5.8	5.8	4.5	3.3	5.2	5.8	3.9	4.3	9.6	-1.0

Table 1: Salient Economic Statistics of East Asian Economies (cont).

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
3. Annual average exchange rates (% change of domestic currency units per US$)													
China	-7.2	0.0	-1.1	-21.3	-10.1	-3.5	-4.3	-33.2	3.2	0.5	0.3	0.1	0.0
Korea	7.16	12.5	8.9	-5.1	-3.5	-6.1	-2.7	-0.1	4.2	-4.1	-15.4	-32.1	17.9
Singapore	3.4	4.7	3.2	7.6	4.9	6.1	0.8	5.8	7.8	0.5	-5.0	-11.3	-1.3
Taiwan	19.2	11.0	8.3	-1.8	0.3	6.6	-4.7	-0.3	-0.1	-3.5	-4.3	-14.2	3.7
Indonesia	-22.0	-2.5	-4.8	-4.0	-5.5	-3.9	-2.7	-3.4	-3.9	-4.0	-19.5	-71.0	27.6
Malaysia	2.5	-3.8	-3.3	0.1	-1.6	8.0	-1.0	-1.9	4.8	-0.5	-10.6	-28.3	3.3
Philippines	-0.9	-2.5	-3.0	-10.6	-11.5	7.7	-5.9	2.7	2.7	-1.9	-11.0	-27.9	4.6
Thailand	2.2	1.7	-1.6	0.5	0.3	0.5	0.3	0.7	0.9	-1.7	-19.2	-24.2	9.3
4. Per capita GDP in current US$													
China	296	364	401	342	353	415	510	455	581	671	730	772	809
Korea	3,279	4,336	5,242	5,893	6,823	7,208	7,847	9,055	10,874	11,422	10,360	6,908	8,846
Singapore	7,990	9,698	11,270	13,556	15,494	17,417	20,050	23,835	28,019	30,057	30,913	26,694	27,341
Taiwan	5,184	6,191	7,417	7,870	8,725	10,221	10,630	11,408	12,214	12,683	13,065	11,918	12,986
Indonesia	446	514	577	639	703	750	838	923	1,038	1,146	1,072	461	683
Malaysia	1,943	2,067	2,210	2,432	2,649	3,107	3,420	3,704	4,294	4,764	4,624	3,268	3,567
Philippines	575	638	698	708	709	808	810	933	1,055	1,152	1,118	867	987
Thailand	957	1,149	1,323	1,535	1,739	1,944	2,156	2,461	2,828	3,031	2,485	1,834	2,044
5. Exports:GDP (%)													
China	12.19	11.45	10.65	14.80	16.23	16.32	14.45	21.97	21.03	21.03	23.07	21.65	-
Korea	40.18	38.41	32.73	29.09	27.35	27.65	27.54	27.82	30.20	29.50	34.73	48.74	42.62
Singapore	170.99	191.53	185.53	184.05	175.58	168.61	167.40	173.20	177.20	170.45	162.85	152.41	-
Taiwan	57.32	54.34	49.59	46.76	47.40	43.38	44.24	44.11	48.78	48.55	49.24	49.07	45.51
Indonesia	23.93	23.78	24.29	25.27	25.55	27.88	26.75	26.51	26.31	25.82	27.86	53.69	35.27
Malaysia	63.76	67.32	73.10	74.47	77.83	75.98	78.92	89.15	95.42	91.58	93.20	114.36	120.52
Philippines	26.64	28.39	28.12	27.51	29.60	29.13	31.36	33.82	36.36	40.51	49.06	55.42	51.61

Thailand	28.89	33.01	34.92	34.13	35.96	36.97	37.82	38.76	41.79	39.22	47.96	58.54	56.67

Table 1: Salient Economic Statistics of East Asian Economies (cont).

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
6. Imports:GDP (%)													
China	12.10	12.46	11.75	12.04	13.37	15.28	16.36	20.56	19.32	18.88	18.56	17.30	-
Korea	32.42	30.47	30.02	30.26	30.36	29.14	27.49	28.96	31.68	33.61	35.75	35.82	35.16
Singapore	170.79	184.41	177.71	177.13	164.86	158.75	159.50	158.16	161.62	156.81	150.12	134.64	-
Taiwan	39.97	43.61	42.09	41.78	42.87	41.29	42.35	42.21	46.81	44.71	46.49	47.06	43.73
Indonesia	22.40	21.09	21.41	23.73	24.10	24.96	23.77	25.37	27.65	26.44	28.13	43.81	27.51
Malaysia	49.64	56.95	66.87	72.42	81.49	74.63	79.02	90.75	98.02	90.19	92.27	92.56	93.25
Philippines	26.22	26.94	30.27	33.28	32.59	34.03	39.80	40.13	44.18	49.29	59.43	59.15	53.44
Thailand	28.33	34.40	37.49	41.65	42.51	40.98	41.56	43.60	48.52	45.50	46.57	42.60	44.21
7. Current account balance:GDP (%)													
China	0.09	-0.95	-0.96	3.09	3.27	1.33	-1.93	1.27	0.23	0.89	3.31	3.06	1.20
Korea	7.38	7.97	2.41	-0.79	-2.82	-1.25	0.29	-0.96	-1.74	-4.42	-1.71	12.64	5.84
Singapore	-0.53	7.69	9.93	8.51	11.40	12.05	7.31	16.32	17.25	15.86	15.67	20.86	20.80
Taiwan	17.65	8.27	7.65	6.82	6.95	4.03	3.16	2.70	2.10	4.04	2.54	1.35	2.08
Indonesia	-2.77	-1.57	-1.09	-2.61	-3.32	-2.00	-1.33	-1.58	-3.18	-3.37	-2.27	4.22	3.52
Malaysia	8.00	5.29	0.81	-1.98	-8.51	-3.66	-4.47	-6.07	-9.53	-4.56	-4.78	12.95	12.00
Philippines	-1.34	-1.03	-3.42	-6.08	-2.28	-1.89	-5.55	-4.60	-2.67	-4.77	-5.30	1.97	9.26
Thailand	-0.73	-2.68	-3.46	-8.53	-7.71	-5.66	-5.08	-5.59	-8.07	-8.08	-2.01	12.68	8.03
8. External debts:GDP (%)													
China	11.00	10.59	10.00	14.26	14.84	14.99	14.30	18.52	16.86	15.78	16.33	-	-
Korea	34.81	24.11	18.89	18.59	18.17	18.26	18.17	23.36	23.51	25.32	30.09	41.75	30.61
Singapore	19.09	15.25	14.07	10.38	10.31	9.48	9.71	10.95	10.06	10.77	13.04	-	-
Taiwan	19.09	14.39	11.45	11.04	10.74	9.37	10.44	10.87	10.40	10.07	11.84	-	-
Indonesia	69.31	60.91	58.55	61.06	62.07	63.26	56.44	60.95	61.54	56.71	63.12	154.37	-
Malaysia	70.97	52.64	41.90	34.82	34.76	33.84	39.09	40.73	38.66	39.34	47.13	63.27	57.94
Philippines	89.72	76.37	67.30	69.01	71.45	62.30	66.10	61.50	51.04	48.46	55.30	73.31	63.62
Thailand	39.61	34.16	31.63	34.34	38.56	39.14	41.62	44.89	49.15	49.79	62.02	76.76	62.33

Table 1: Salient Economic Statistics of East Asian Economies

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
9. International reserves (US$ million)													
China	16,305	18,541	17,960	29,586	43,674	20,620	22,387	52,914	75,377	107,039	142,762	149,188	153,996
Korea	3,584	12,347	15,214	14,793	13,701	17,121	20,228	25,639	32,678	34,037	20,368	51,975	66,147
Singapore	15,227	17,073	20,345	27,748	34,133	39,885	48,361	58,177	68,695	76,847	71,289	74,928	75,941
Taiwan	76,748	73,897	73,224	72,441	82,405	82,306	83,573	92,454	90,310	88,038	83,502	90,341	101,652
Indonesia	5,592	5,048	5,454	7,459	9,258	10,449	11,263	12,133	13,708	18,251	16,587	22,713	26,181
Malaysia	7,435	6,527	7,783	9,754	10,886	17,228	27,249	25,423	23,774	27,009	20,788	25,559	29,962
Philippines	968	1,003	1,417	924	3,246	4,403	4,676	6,017	6,372	10,030	7,266	9,226	12,741
Thailand	2,940	3,098	3,854	4,117	4,611	4,899	5,179	5,184	4,899	4,985	3,944	6,241	6,504
10. Current revenue:GDP (%)													
China	18.39	15.79	15.76	15.84	14.57	13.08	12.56	11.16	10.67	10.91	11.62	12.44	-
Korea	16.51	16.94	17.10	17.52	16.60	17.45	17.96	18.47	18.73	19.81	20.02	21.05	-
Singapore	28.10	27.84	27.35	28.62	29.75	31.71	31.67	31.02	33.75	36.91	40.05	42.26	41.19
Taiwan	11.97	12.50	14.45	16.28	12.84	13.94	13.62	13.80	13.53	12.63	12.37	13.30	-
Indonesia	16.71	15.37	16.00	18.75	16.64	17.30	17.02	17.38	17.69	17.41	18.46	-	-
Malaysia	22.38	23.78	24.02	24.79	25.20	26.05	24.21	25.30	22.90	22.97	23.32	19.94	18.60
Philippines	14.73	13.19	15.87	16.19	17.12	17.69	17.44	18.05	18.77	18.80	19.25	17.26	16.01
Thailand	15.54	16.55	17.62	18.85	18.46	18.06	18.14	18.72	18.57	18.51	17.94	15.46	14.69
11. Current expenditure:GDP (%)													
China	18.91	16.69	16.70	16.63	15.67	14.05	13.40	12.39	11.67	11.69	12.40	13.60	-
Korea	12.78	12.58	13.42	13.79	13.84	14.42	14.08	13.87	13.00	13.25	13.66	15.47	-
Singapore (exp. + loan)	32.85	21.65	26.17	18.85	19.49	19.78	17.71	18.76	20.37	22.28	30.49	25.87	23.34
Taiwan	9.58	9.95	10.38	10.28	10.88	12.99	12.18	11.09	10.90	11.15	11.04	10.57	-
Indonesia	11.26	10.05	10.22	10.98	9.17	9.14	9.14	8.90	7.93	9.24	10.88	-	-
Malaysia	24.89	22.96	21.84	21.02	20.94	21.29	18.71	17.94	16.44	17.29	15.85	15.67	15.27
Philippines	13.99	14.04	15.43	16.52	15.75	15.90	15.37	15.26	15.17	16.26	17.32	17.57	-

Thailand	13.90	12.41	12.18	11.41	11.32	11.55	11.27	10.54	10.39	10.83	10.85	12.39	12.78

Table 1: Salient Economic Statistics of East Asian Economies

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
12. Overall fiscal balance:GDP (%)													
China	-0.53	-0.90	-0.94	-0.79	-1.10	-0.97	-0.85	-1.23	-0.99	-0.78	-0.78	-1.16	-
Korea	0.43	1.07	0.19	-0.68	-1.61	-0.48	0.61	0.64	0.56	0.42	-1.27	-3.77	-
Singapore	-4.75	6.19	1.18	9.77	10.27	11.93	13.96	12.27	13.38	14.62	9.56	16.39	17.85
Taiwan	0.02	0.08	1.34	1.89	-2.24	-5.44	-3.95	-1.75	-1.11	-1.35	-1.69	0.15	-
Indonesia	-3.48	-2.29	-1.37	-0.85	-0.71	-1.13	-0.52	1.00	2.22	1.44	1.39	-	-
Malaysia	-7.59	-3.56	-3.24	-2.89	-1.95	-0.82	0.21	2.26	0.84	0.72	2.35	-1.76	-7.29
Philippines	-2.65	-3.08	-2.26	-3.66	-2.35	-1.31	-1.59	0.92	0.53	0.26	-0.01	-1.89	-4.67
Thailand	-0.43	2.34	3.27	4.83	4.30	2.57	1.88	2.68	3.02	0.94	-0.32	-2.78	-3.23
13. M1:GDP (%)													
China	38.24	36.76	34.50	37.79	41.58	43.98	48.39	46.07	43.77	45.17	51.49	54.43	52.01
Korea	9.01	9.13	9.61	8.90	10.05	10.01	10.47	10.05	10.30	9.45	7.73	7.92	6.91
Singapore	25.67	23.58	23.62	22.96	22.22	23.16	24.58	21.95	21.37	20.96	19.31	19.27	19.07
Taiwan	48.29	55.21	52.37	44.71	44.87	45.45	47.61	49.23	45.89	45.82	45.69	44.20	44.96
Indonesia	10.20	9.62	11.45	11.30	10.68	9.73	10.23	10.85	10.37	9.70	10.96	9.26	9.37
Malaysia	19.45	19.31	20.19	20.36	19.91	20.17	24.27	23.78	23.34	23.88	22.48	19.03	19.95
Philippines	7.88	7.66	8.78	8.63	8.63	8.70	9.75	9.45	10.21	10.73	11.00	10.72	10.13
Thailand	10.18	9.52	9.41	8.95	8.87	8.82	9.34	9.53	9.28	9.19	9.10	9.72	10.44
14. M2:GDP (%)													
China	66.52	64.32	67.38	79.16	86.04	91.33	100.30	100.34	103.87	112.10	123.37	132.95	134.19
Korea	35.92	36.76	39.31	38.43	38.68	39.18	40.44	41.18	40.80	42.61	44.90	57.52	60.01
Singapore	86.31	82.99	88.58	93.05	94.04	94.71	88.21	88.10	85.98	86.77	86.66	113.77	113.88
Taiwan	121.26	134.04	141.91	143.99	153.88	165.12	173.12	183.53	185.80	186.88	185.64	187.91	186.20
Indonesia	27.23	28.11	32.59	40.13	39.77	42.16	43.41	44.93	48.05	52.15	55.42	60.31	57.82
Malaysia	73.71	69.36	70.69	70.46	71.11	75.98	81.19	82.04	89.39	93.88	103.66	104.22	102.17
Philippines	27.03	28.79	32.35	34.05	34.48	36.18	42.14	45.66	50.36	54.46	61.61	60.69	56.93
Thailand	62.20	61.30	65.00	70.03	73.10	74.81	79.08	77.85	79.09	80.86	91.88	102.59	101.58

Table 1: Salient Economic Statistics of East Asian Economies

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
15. Lending rate (%)													
China	7.92	9.00	11.34	9.36	8.64	8.64	10.98	10.98	12.06	10.08	8.64	6.39	5.85
Korea	10.00	10.13	11.25	10.00	10.00	10.00	8.58	8.50	9.00	8.84	11.88	15.28	8.86
Singapore	6.10	5.96	6.21	7.36	7.58	5.95	5.39	5.88	6.37	6.26	6.32	7.44	5.80
Taiwan	9.00	9.00	10.38	10.00	8.62	8.30	8.00	8.00	7.80	7.53	7.65	7.87	7.84
Indonesia	21.67	22.10	21.70	20.83	25.53	24.03	20.59	17.76	18.85	19.22	21.82	32.15	23.07
Malaysia	8.19	7.25	7.00	7.17	8.13	9.31	9.05	7.61	7.63	8.89	9.53	10.61	6.79
Philippines	13.34	15.92	19.27	24.12	23.07	19.48	14.68	15.06	14.68	14.84	16.28	16.78	10.12
Thailand	10.71	11.58	12.25	14.42	15.40	12.17	11.17	10.90	13.25	13.40	13.65	14.42	8.50

Source: Adapted from "Recent Trends and Prospects for Major Asian Economies", ***East Asian Economic Perspectives,*** vol. 11, Special Issue, February 2000.

Annex 1: Initiatives by International Agencies in Response to the Crisis in Indonesia and Thailand

Indonesia

Asian Development Bank	
ADB1	● Social Protection Sector Development Program Loans US$300: Program Loan US$ 100m, Project Loan US$200m—approved July 1998
	- primary aim is to mitigate effects of the economic crisis on the poor by:
	… protecting access by vulnerable groups to essential social services, especially education and health
	… monitoring quality of services provided to the poor
	… initiating sustainable policy reforms related to provision of key social services
	- support for specific initiatives in project provinces to :
	… maintain school enrolment (supporting the Government's Back to School Campaign)
	… protect health and nutritional status of the poor, particularly mothers and children under two years
	… maintain quality of health and education services
	… maintain family planning services for the poor
ADB2	● Health and Nutrition Sector Development Program Loans US$300m: Program Loan US$100m, Project Loan US$ 200- approved March 1999
	- parallel OECF of US$300m (see Japan 4 below)
	- primary aim is to mitigate effects of the economic crisis on the poor by:
	… protecting access by vulnerable groups to essential health and nutrition services
	… monitoring quality of social services provided to the poor
	… initiating sustainable policy reforms related to provision of health and nutrition services
	- support for targeted initiatives in project provinces to:
	… protect health and nutritional status of the poor, particularly infants and children under two years
	… maintain quality of health services
	… strengthen communicable disease control programs (targeting tuberculosis and malaria) and maintain immunisation programs
	… maintain family planning services for the poor
	- includes block grants to health centres and village midwives, complementary feeding for infants, supplementary feeding for young children and for pregnant and lactating women, and support for increasing numbers of street children
ADB3	● Proposed Basic Education Sector Loan, US$100m, 2000
	- improve management and institutional capacity for basic education at the district and school level
	- expand access to junior:secondary education
	- maintain universal access to primary education
ADB4	● Proposed Reproductive Health Loan, US$50m, 2000
	- increase the demand and supply for reproductive health care
	- enhance the reproductive health of women and men
	- improve the knowledge of adolescents on reproductive health issues
ADB5	● Proposed Woman and Child Protection and Development Loan,

	US$50m, 2001
	- strengthen protection for vulnerable woman and their children, while maintaining a focus on the longer-term (health, nutrition and psychosocial) development potential of the child
World Bank	
WB1	● West Java Basic Education Loan, US$103.5m-approved March 1998
	- increased scholarships to address threat of drop-outs by poor students at primary and secondary level (US$50.9m).
	- improve education quality through teacher training, etc.
WB2	● Junior Secondary Education Project Loans in East Java, East Nusa Tengara, Central Indonesia and Sumatra, US$301m-approved June 1998. (Restructured loans 4042-IND, 4062-IND, 4095-IND)
	- scholarships to poor children and school grants for poor areas. Projected to benefit 25 million students.
WB3	● Policy reform Support Loan, US$1 billion-60 per cent disbursed July 1998, rest in February 1999
	- including budget support for basic education (scholarships for poor children and block grants for poor schools, supporting the Government's Back to School Campaign)
	- financing essential drugs and provision of equipment to sustain hospital emergency work
	- design of sustainable medium term health strategy
WB4	● Early Childhood Development Loan, US$21.5m, - approved July 1998
	- emergency complementary food to protect children under two years against malnutrition effects(US$10.8m)
	- in longer-term, assist nutritional and educational wellbeing of children under six years
WB5	● Basic Education Projects in Sumatra, Sulawesi and Eastern islands, IBRD Loans and IDA Credits totaling US$128.9m – approved April 1999
	- scholarships for poor children to maintain enrolment and transition rates in primary and junior secondary schools
	- grants to schools in poor areas to meet essential operational and maintenance costs
WB6	● Social Safety Net Adjustment Loan, US$600m – approved May 1999
	- safeguard key SSN programs by creating an overarching national structure, comprising a government team, a joint government and civil society control team, and an independent civil society monitoring function
	- improve program design, including better geographical targeting to reach the poor more effectively
WB7	● Second Policy Reform Support Loan, US$500m – approved May 1999
	- in part, to support policy reforms related to SSN budget expenditures crucial to the poor
UNDP	
UNDP1	● Assessing the Impact of the Economic Crisis on Education, US$60000 grant, May-September 1998
	- rapid assessment, with UNICEF and UNESCO, for Education Ministry: analysis of data on drop-out rates, absenteeism and schools' financial requirements
UNDP2	● Supply and Production of Generic Drugs and Their Ingredients in Indonesia, US$132 000 grant – approved August 1998

	- to fund UNIDO analysis of ways for Ministry of Health to improve the supply of essential medicines at affordable prices, including domestic production of some ingredients.
UNDP3	● Rapid Humanitarian Assistance to Support Indonesia's Recovery, US$200 000 grant, June 1998-July 1999
	- in response to drought and the economic crisis, nutrition supplements for infants aged 6-24 months to assist them achieve optimal growth and brain development
UNICEF	
UNICEF1	● Back to School Campaign AusAID US$495 000 grant and UNICEF US$150 000 grant, June – December 1998
	- support for the campaign to prevent drop-outs, involving publicity for scholarships and block grants to schools
UNICEF2	● Complementary Food Initiative, US$930 000 grants (from UNICEF, UNDP, CIDA, AusAID and Denmark), April-December 1998
	- food packages for 6-24 month old infants and education of mothers on feeding practices
United Nations Population Fund	
UNFPA1	● Appeal for Emergency Assistance for Contraceptives, US$34m, required for Fy1998-99
	- government subsidy of contraceptives continued due to economic crisis
	- UNFPA provided US$3m grant and USAID US$7.4m, leaving US$34m shortfall
	- responses have included CIDA Can$3m grant
UNFPA2	● Reducing Maternal Mortality through Strengthening Blood Supply Management and Obstetrics Services
	- US$6m grants sought from donors over two years, as economic crisis exacerbated existing problems
UNESCO	
UNESCO1	● Community Based Education Program for Parent-Teacher Associations, US$ 100 000 grant, August 1998-August 1999
	- training program (pilot project) to support the Government's Back to School Campaign by strengthening community support for schools, especially targeting PTAs
UNESCO2	● Study on Health and Nutrition at Primary School Level
	- develop a model for better integration and delivery of health and nutrition at a primary school level
World Food Programme	
WFP1	● Emergency Operation in Indonesia, US$135.8m during May 1998-June 2000
	- originally implemented in rural areas in eastern Indonesia to benefit drought victims-those surviving on one meal a day and who lost their means of livelihood
	- Operation expanded to urban areas in mid-1999, including to provide a take-home ration to children to encourage their continuing school attendance, and to support orphanages and shelters for street children
Japan	
Japan1	● Emergency Grant Aid to purchase medical supplies, powdered milk and other essential goods in short supply because of the

	economic crisis, Y4b, March 1998
Japan2	● Rice Aid: 700 000 tons as grant assistance in 1998 in response to the economic crisis
Japan3	● OECF Social Safety Net Loan, Y45.2b – approved March 1999
	- counterpart funds to be used by the Government of Indonesia for its SSN programs
	- follows on a similar loan of Y170b, disbursed in 1998
Japan4	● OECF Health and Nutrition Sector Development Program Loan, Y35.3b – approved March 1999
	- cofinancing with ADB (see ADB2 above)
United States	
USAID1	● Basic health, medical and nutritional needs of women and children
	- the focus of much of USAID's SSN support
	- includes the provision of supplies and support to government's micronutrient supplementation programs and to child feeding programs run by NGOs
USAID2	● Improved food security for the most needy families
	- US$50m committed for purchasing and distributing basic foodstuffs in 1999
Canada	● Canada Fund for Local Initiatives – budget approved annually
	- included small-scale education and health projects (for example: "Staying in School", East Timor, Can$55 258)
Australia	
AusAID1	● Support for World Food Programme Emergency Operation (see WFP1 above), A$23m
	- A$16m in FY 1997:98 and 1998:99 (wheat swapped for rice) and A$7m in FY 1998:99 (rice)
AusAID2	● Emergency Medical Supplies, over A$4m during September 1998-March 1999
	- in response to drought and the economic crisis, supply to the eastern provinces essential drugs and medical supplies
AusAID3	● Assistance in Establishing a Social Monitoring and Early Response Unit (SMERU), A$10 000 in FY 1998-99
	- to provide rapid assessments to government agencies, donors, NGOs and civil society
	- assessments on crisis related trends and conditions, the areas and vulnerable groups affected by the crisis, critical needs of affected groups, and effectiveness of ongoing safety net programs
AusAID4	● Assistance to the Back to School Campaign – A$5.1A
	- A$800 000 to UNICEF-managed media publicity in FY 1997-98 – see UNICEF1 above
AusAID5	● Assistance with World Bank Rapid Social Assessment of Poverty Programs, A$120 000 in FY 1998-99
	- conducted an initial assessment of several worst affected areas to assist the World Bank and GOI in strengthening design, implementation and review of SSN programs
New Zealand	
NZODA1	● Social and Community Development Fund (NZ$750 000)
	- Supports local NGOs for community social development activities, including humanitarian assistance
NZODA2	● Complementary Feeding Initiative (NZ$500 000)
	- in support of UNICEF's complimentary food initiative – UNICEF2 above
ASEM Trust	

Fund: World Bank	
ASEM1	● Scholarships and School Grants to Primary and Junior Secondary Schools, US$637 000 – approved July 1998
	- help keep children from poor families from dropping out of school in the next five years through grants to the schools and scholarships to poor families
ASEM2	● Monitoring and Assessing the Impact of the Crisis on Basic Education Outcomes, US$224 160 – approved August 1998
	- analyse survey data to identify new interventions to alleviate the impact of the crisis
ASEM3	● The Impact of the Crisis on Basic Health Outcomes: diagnosis, consultation and dissemination, US$243 500 – approved August 1998
	- assess the impact of the crisis on basic health care and identify new or modify existing interventions to alleviate the impact
ASEM4	● Responding to the Crisis: Supply and Distribution of Pharmaceuticals, US$280 200 – approved October 1998
	- help the government target pharmaceutical relief effort at the poor, with industry analysis, regulation review, assessment of production control and strategic alternatives identification
ASEM5	● Developing a Strategy for the Education System to Respond to the Crisis, US$725 500
	- consult all involved groups and develop a cooperative strategy for education
ASEM6	● Rapid Analysis of New SUSENAS Poverty and Socio-Economic Data, US$161 750
	- develop capacity within the government, universities and local experts to analyse the SUENAS database
Thailand	
Asian Development Bank	
ADB1	● Social Sector Program Loan, US$500m – approved March 1998
	- US$300m first tranche released immediately to mitigate short-term impact of economic crisis, especially on the poor and disadvantaged
	… including to reduce drop-outs from schools, protect budget support for health care and support laid-off workers
	- US$200m second tranche to support structural reforms, including in human resource development, reducing inefficiencies in social services and shifting health budget focus towards programs for women and children
	- three associated TA grants (US$2.1m from the ADB's Japan Special Fund) also approved to
	… monitor and evaluate the social impact of the crisis
	… monitor the welfare of women, ethnic minorities and the poor
	… identify causes of inefficiencies in health and education services (including evaluation of the student loan scheme)
ADB2	● Proposed Non-formal Secondary Education Loan, US$100m-2000
ADB3	● Proposed Social Development Loan, US$250m – 2001
ADB4	● Proposed TA to strengthen role of National Education Commission, US$500 000 – 2000
World Bank	
WB1	● Social Investment Project Loan, US$300m – approved July 1998

	- total project cost US$ 460m, with cofinancing by OECF (Y13.4b), UNDP (US$500 000) and AusAID (A$350 000)
	- US$153m over two years to support existing government programs, including low income health cards, skills development for 15-16 year olds and local job training for lower secondary school students
	- US$133m to improve access of poor and unemployed to basic social services and employment opportunities
	- US$133m Social Investment Fund to finance community based projects over three years
WB2	● Skills Development Project Loan, US$195m
	- complements Secondary Education Quality Improvement Project to support reform, including universal enrolment for 12 year education
WB3	● Poverty study, due for completion 2000
	- reassess poverty line measurement, update 1996 household survey data and evaluate impact of public expenditure on poverty
UNDP	
UNDP1	● Assistance in Support of the Social Investment Project (see WB1 above), US$500 000
UNICEF	
UNICEF1	● Media campaign against school drop-outs, December 1998-April 1999, US$10 000
UNICEF2	● Thailand: Impact of the Economic Crisis on Children, June-October 1998, US$ 20 000
WHO	
WHO1	● Health Intelligence Unit, May 1998-January 2000
	- established to monitor the impact of the crisis on health status and health services, including:
	… weight at birth, nutritional deficiencies of children under five and anemia situation among pregnant women
	… the financial problems of government and private hospitals
	… the availability, quality and price of medicine and medical supplies and equipment
Japan 1	● OECF Economic Recovery and Social Sector Program Loan, Y30b – approved March 1999
	- counterpart funds to be used by the Thai government in part to expand the SSN underpinning economic structural adjustments
Canada	
CIDA1	● Research study into the social impact of the crisis
	- undertaken by the Thai Development Research Institute with CIDA funding
CIDA2	● Canada Fund for Local Initiatives - budget approved annually
	- includes small-scale education and health projects, for example:
	… in 1997-98 ‘Responding to Child Abuse and Neglect’ Training Workshop (Can$5390) and Vocational Skills Learning Centre in the Bunted Hills (Can$ 19 019)
	… in 1998-99 Adolescent Counseling Centre and Outreach Programme (Can$ 10 830) and Scholarship and Educational Support Project (Can$23 288)
CIDA3	● Governance and Restructuring Project II, Can$1.5m over three years 1999:00-02
	- includes Financing Decentralisation of Education and Other Social Programs
Australia	
AusAID1	● Assistance in support of the Social Investment Project (see WB1 above), A$300 000 in FY 1997-98
AusAID2	● Assisting Women and Children Affected by the Economic Crisis

	(Friends of Women Foundation), A$ 25 583
	- includes a counseling and support centre providing essential information on legal, social and welfare services and rights, alternative livelihood training, and savings groups and cooperatives
AusAID3	● Urban Children and Youth Development, A$37 621 in FY 1997-98 and A$42 950 in FY 1998-99
	- assist children and youth groups to participate in solving the problems associated with slum communities in Chiang Mai
AusAID4	● Sustainable Self-reliance Village Development (Dharma Jarik Youth and Women's Development Group), A$6379
	- provided for youth and women's groups in Ban Mae Lu to find alternative income generating activities in response to the economic crisis
	… including vegetable gardening, food processing, bakery and indigenous souvenir production
ASEM Trust Fund: World Bank	
ASEM1	● Recession, Family Income and Staying in School, US$493 000 – approved August 1998
	- monitor and research the causes of school drop-out and non-enrolment, and identify coping strategies

Source: The Australian Agency for International Development (AusAID), Impact of the Asia Crisis on Children: Issues for Social Safety Nets, Canberra, August 1999.

Annex 2: Existing Social Programs in Korea, Indonesia, and Thailand

Korea	Indonesia	Thailand
A. Old age, Disability Death		
First law: 1973. Current law: 1986, as amended 1989, 1993, 1995, and 1998. Type of program: Social insurance system. Exchange rate: U.S.$1.00 equals 1,244 won.	First law: 1951 (provident fund). Current law: 1977. Type of program: Provident fund system (lump-sum benefits only). Exchange rate: U.S.$1.00 equals Rupiah (Rp) 7,200.	First and current law: 1990. Revised 1999. Disability and death benefits payable starting in 1991. Old-Age Benefits payable starting in 1998. Type of program: Social insurance system. Exchange rate: U.S.$1.00 equals 35.97 baht.
<u>Coverage</u> All residents aged 18-59 (effective April 1, 1999) Separate systems for public employees, private school teachers, the self-employed, and military personnel.	**Coverage** Establishments with 10 or more employees or a payroll of Rp 1 million or more a month. Coverage being extended gradually to smaller establishments and to casual and seasonal workers. Special systems for civilian public employees and military personnel.	**Coverage** Employees of firms with 10 or more workers. Voluntary coverage for the self-employed, starting September 2, 1994. Separate programs for civil servants and private school teachers. Employees of foreign governments or international organizations, and Thais working abroad are exempt.
<u>Source of Funds</u> **Insured person**: 4.5% of covered monthly earnings (i.e., standard monthly remuneration) (effective April 1, 1999). Farmers, fishermen, self-employed, and the voluntary insured: 3% of monthly covered earnings. **Employer**: 4.5% of payroll. Government**: Partial cost of administration and of programs for farmers and fishermen.**	**Source of Funds** **Insured Person**: 2% of earnings. **Employer:** 3.7% of payroll (plus 0.3% of payroll for death benefit). **Government:** None.	**Source of Funds** Insured person**: 1% of employee's wages.** **Employer:** 1% of employee's wages. **Government**: 1% of employee's wages. Above contributions finance old age pension and child allowance (temporary rate will be increased up to 3%). Contributions for disability and death, see sickness and maternity contributions, below.
Qualifying Conditions **Old-age pension**: Full Old-Age Pension: aged 60, with coverage of 20 or more years, and no longer engaged in gainful activity. No retirement test if aged 65 and older. (Pensionable age to be raised to age 65 by 2033.) Reduced Old-Age Pension: Reduced benefit if aged 60 or older with coverage of 10-19 years, and no longer engaged in gainful activity. No retirement test if aged 65 and older. Active Old-Age Pension: aged 60-64, with coverage of 10 or more years, and still engaged in remunerative activity. Early Old-Age Pension: aged 55-59, with **Coverage of 10 or more years, and no longer engaged in gainful activity.** **Disability pension:** Disabled as result of disease or injury occurred during the insured period, and has paid contributions over 2:3 of the insured period, plus period as recipient of	<u>Qualifying Conditions</u> **Old-age benefit**: Age 55; 66 months of contributions. Disability benefit: Total incapacity for work and under age 55. Survivor benefit: Deceased was insured and under age 55 at the time of death.	**Qualifying Conditions** **Old-age pension**: Age 55 and 180 months contributions. Disability benefits: Same as for cash sickness benefits. Must already have received cash sickness benefits for period of one year. **Survivor benefit: Funeral grant: 1 month contribution in 6 months prior to death. Death must have resulted from a non-occupational injury or illness (if occupational injury or illness, see Work injury, below).**

disability pension. (Cases when employee is exempted from contributing to the program while still "insured": student aged 23 or older, person rearing more than 1 child under age3, patient hospitalized for 3 months or longer, retries, unemployed, and others.) **Survivor pension**: Payable if insured has paid contributions over 2:3 of the insured period up to death of insured. Eligible survivors are: widow or widower [if the latter, must be aged 60 or older, or with at least 2nd degree of disability (see disability pension below) at any age before the eligibility date]; parents and grandparents (including parents or grandparents of spouse) of insured person, aged 60 years or older, or with at least 2nd degree of disability; children and grandchildren aged under age 18, or at any age if with at least 2nd degree of disability. Lump-sum death benefit: dependent survivor (including siblings and collateral relatives within the 4th degree, such as nephews and nieces) not otherwise eligible for survivor benefit or lump-sum refund. Lump sum refund: Payable if insured aged 60 or older, has less than 10 years' coverage; or if the insured of formerly insured person dies without eligibility for a pension, or if insured has less than 10 years' coverage and has emigrated and lived permanently outside of Korea, and:or did not qualify as Korean national. **Old-Age Benefits** **Old-age pension**: Basic Pension Amount (BPA) equals 1.8 times the sum of average covered monthly earnings of all insured persons at the end of the preceding year, and the average monthly covered earnings of the insured person over entire contribution period. Full Old-Age Pension: BPA plus 5% of monthly benefit for each insured year in excess of 20 years. Reduced Old-Age Pension: 47.5% of BPA, plus 5% increment of BPA for every insured year in excess of 10 years of coverage. Active Old-Age Pension: 0.5-0.9 times 47.5% of BPA, depending on age of pensioner, plus 5% increase of BPA for every insured year in excess of 10 years of coverage. Early Old-Age Pension: 0.75 times 47.5% of BPA, plus a 5% increase of BPA for every year delayed in claiming benefits. Additional benefit for dependents (child, parent or spouse) of recipients of full, reduced, or early old-age pension. Lump sum refund: Employee and employer contributions paid in, plus interest. Adjustment: Benefits adjusted for changes in consumer price index. All pensions non-taxable. **Permanent Disability Benefits**	**Old-Age Benefits** **Old-age benefit**: Lump sum equal to total employee and employer contributions paid in, plus accrued interest. **Permanent Disability Benefits** **Disability benefit**: Lump sum equal to total employee and employer contributions paid in, plus accrued interest. **Survivor Benefits** **Survivor benefit**: Lump sum equal to total employee and employer contributions paid in, plus accrued interest. Death benefit:	**Old-Age Benefits** **Old-Age pension**: 15% of average wage of the last 60 months. In case the insured person has paid contribution for over 180 months, the rate will increase 1% per additional twelve months of contributions above 180 months. Lump sum refund: employee contribution if less than twelve months contributions. Employer and employee contributions plus interest if more than twelve months contributions. (In case the insured person can not complete 180 months contribution.) **Permanent Disability Benefits** **Disability benefit**: 50% of prior wage payable for whole life. Maximum: 250 baht a day.

Disability pension: Total disability, same as the old-age pension. For partial disability, benefits reduced by up to 40% of BPA, depending on degree of incapacity to work. (Four degrees of disability, with the 4th degree as the least severe disability and 1st degree being the most severe. 1st degree, total loss of capability to work and requiring constant attendance; 2nd degree, severe loss of capability to work; 3rd and 4th degrees, some loss of capability to work.) **Survivor Benefits** **Survivor pension:** If insured had 20 or more contribution years, 60% of full pension of the insured; if 10 to 19 contribution years, 50%; if less than 10 contribution years, 40%. Lump-sum refund: Employer and employee contributions paid in, plus interest. Lump-sum death benefit: Equal to the amount of deceased insured person's lump-sum refund. Maximum: 4 times of the insured person's last monthly covered earnings, or average monthly covered earnings for the entire insured period, whichever ins higher. Funeral grant: See medical benefits for dependents under Sickness and Maternity, below. **Administrative Organization** National Pension Corporation, under supervision of Ministry of Health and Welfare.	Lump sum of Rp 1,200,000 plus amount accumulated in provident fund. Payable if death before age 55. **Administrative Organization** Minister of Manpower, general supervision. Public Corporation for Employees Social Security (PT ASTEK), administration and operation of program.	**Survivor Benefits for dependents** **Survivor benefit**: lump sum at the amount of ten times of last month old age pension in case the pensioner died within sixty months since the date of entitlement to old age pension. Funeral grant: 30,000 baht. **Administrative Organization** Ministry of Labor and Social Welfare, general supervision. Social Security Office, administration of program.
B. Sickness and Maternity		
First law: 1963 (Medical Insurance Law) and 1997 (National Medical Insurance Law). Current law: 1998 (Medical Insurance Law, for resident employees in general) and 1998 (National Medical Insurance Law, for self-employed, and government and private school employees). Type of program: Social insurance system (Medical care only). **Coverage** All permanent residents (including non-citizens residing in Korea for 1 or more years), except for those covered by Medical Aid program. **Source of Funds** **Insured person**: 1% to 4% of monthly covered earnings (average: 1.64%) by employees in general; government and private school employees: 2.61%, Self-employed: Contribution rates based on income, assets, age, and gender of insured. **Employer:** 1% to 4% of monthly covered earnings (average:	First law: 1957. Current law: 1992. Type of Program: Social insurance system (medical benefits). **Coverage** Coverage being extended gradually to different industries and districts. Employers with more comprehensive benefits exempted from coverage. **Source of Funds** **Insured person**: None **Employer:** 6% of payroll for married employees, 3% of payroll for single employees. **Government**: None.	First and current law: 1990. Revised 1994. Type of program: Social insurance system. **Coverage** Same as for Old Age, Disability, Death. **Source of Funds** **Insured person**: 1% of employee's wages. **Employer**: 1% of employee's wages. **Government**: 1% of employee's wages. Above contributions also finance disability and death wage range for contribution purposes between 1,650-15,000 baht per month.

1.64% ; 1.26%, private schools). Government: **None for employees in general; 2.1% of covered monthly earnings for government employees, 0.84% for private school employees, and 30% of contributions for the self-employed. Minimum earnings for contribution and benefits purposes: 75,000 won a month for employees; 5,000,000 won in taxable annual income for self-employed. No maximum.** **Qualifying Conditions** **Medical benefits**: No minimum qualifying period or contributions to program. **Workers' Medical Benefits** **Medical benefits**: Include medical treatment, surgery, hospitalization, and medicines. Services provided by designated physicians, clinics, hospitals, and pharmacists. Maternity services are provided to insured or dependent with no limit on the number of children. No cash benefits for maternity. Insured pays 20% of hospitalization costs and 30% to 55% of outpatient care (55% if provided by the General Hospital, 40% if by regular hospital, and 30% if by a clinic). **Maximum: 500,000 won for each 30-day period for employees in general and their dependents; 1,000,000 won for each 30-day period for government and private-school employees and their dependents, and for the self-employed.** Duration of benefits: 330 days a year per insured person (No limit for the aged, the disabled, pulmonary tubercular patients, or recipients of national merit awards and medals.) **Dependents' Medical Benefits** **Medical benefits for dependents:** Same as for insured. Dependents include spouse, direct lineal ascendants of employee and spouse, direct lineal descendants and their	**Qualifying Conditions** **Medical benefits**: Current coverage. **Workers' Medical Benefits** **Medical benefits**: Medical examination and treatment, hospitalization, medicines, and maternity care, dental care, eye care, family planning services and immunization. Duration: 2 months of hospitalization (may be extended in special cases). **Dependents' Medical Benefits** **Medical benefits for dependents**: Same as for insured worker. **Administrative Organization**	**Qualifying Conditions** **Cash sickness and medical benefits:** 3 months of contribution in 15 months before date of treatment. **Cash maternity and medical benefits:** 7 months of contribution in 15 months before treatment. Limited to 2 pregnancies. **Sickness and Maternity Benefits** **Sickness benefit**: 50% of wages. Maximum: 250 baht a day. Payable for up to 90 days for each illness, but for not more than 180 days in any calendar year. (For each incidence of chronic disease, payable for not more than a total of 365 days.) **Maternity benefit**: 50% of wages payable for up to 90 days for each confinement. Payable only for female insured person. Lump sum of 4,000 baht per one confinement. **Workers' Medical Benefits** **Medical benefits**: Medical examination and treatment, hospitalization, medicines, ambulance fees, rehabilitation, and other necessary expenses under the capitation system. **Dependents' Medical Benefits** **Medical benefits for dependents:** Maternity medical benefits for spouse. (Lump sum only.)

spouses, and brothers and sisters supported chiefly by the insured person. Funeral grant for both insured workers and dependents: Lump sum payment of 300,000 won for insured person, and 200,000 won for any dependent. **Administrative Organization** Ministry of Health and Welfare, general supervision. National Federation of Medical Insurance, general guidance and support to individual medical insurance societies, review and payment of claims submitted by medical care institutions, and designation and cancellation of medical care service providers. National Health Insurance Corporation: Administration of National Medical Insurance programs for self-employed, government and private school employees; including management of records of insured workers, collection of contributions from the employee, the self-employed, the employer, and the government (wherever applicable), and verification of medical care provided. Medical insurance societies (140 in total): Examination of qualifications of insured workers or dependents: collection of contributions, verification of medical care provided.	Minister of Manpower, general supervision. Public Corporation for Employees' Social Insurance (PT ASTEK), administration and operation of program.	**Administrative Organization** Ministry of Labor and Social Welfare, general supervision. Social Security Office, administration of program.

C. Work Injury		
First law: 1953 (employer liability law still applies to workers in industry and commerce not under 1963 law; benefit provisions of two laws similar). Current law: 1963 as amended through 1997. Type of program: Compulsory insurance with public carrier. **Coverage** Employees of industrial firms with 5 or more workers. Separate system for public employees. **Source of Funds** **Insured person**: None **Employer:** 0.3% to 31.9% of payroll, according to risk in industry. (Average contribution: 1.65%) **Government:** Cost of administration. **Qualifying Conditions** **Work-injury benefits:** No minimum qualifying period. **Temporary Disability Benefits** **Temporary disability benefit:** 70% of daily average earnings. Payable after 3-day waiting period for duration of medical care. Beginning with the 25th month, the more severely disabled have the above benefit replaced by 257-329 days of daily average earnings, depending on the degree of disability. Minimum benefit: 12,200 won per day. Adjustment: Daily average earnings adjustment according to wage fluctuations. **Permanent Disability Benefits** **Permanent disability benefit:** If total disability, annual pension equal to 138-329 days of daily average earnings, or lump sum equal to 55-1, 474 days' earnings, according to degree of disability. **Adjustment:** Daily average earnings adjustment according to wage fluctuations.	First law: 1939. Current law: 1992. Type of program: Social insurance system. **Coverage** Establishments with 10 or more employees or a payroll of Rp1 million or more a month. Coverage being extended gradually to smaller establishments and seasonal workers. Voluntary coverage available. Special system for public employees. **Source of Funds** **Individual employer liability program:** **Insured person:** None. **Employer**: Whole cost, 0.24% to 1.74% of payroll. **Government:** None Maximum earnings for benefit purposes: Rp 1,0000 a day. **Social insurance program: Insured person**: None. **Employer:** 0.24% to 1.74% of payroll, according to risk in industry. **Government:** None. **Qualifying Conditions** **Work-injury benefits**: Partial or total disablement before age 55. No minimum qualifying period. **Temporary Disability Benefits** **Temporary disability benefit:** 100% of earnings for first 4 months, 75% of earnings for second 4 months, and 50% of earnings thereafter. **Permanent Disability Benefits** **Permanent disability benefit:** Varies according to degree of disability. Minimum monthly benefit equal to the regional minimum wage. Maximum is 70% of	First law: 1972. Current law: 1994. Type of program: Compulsory insurance with public carrier. **Coverage** Employees of industrial and commercial firms with 10 or more workers. Exclusions: Employees in agriculture, forestry and fishing, state enterprise, private schools and government. **Source of Funds** **Insured person**: None **Employer:** 0.2% to 1.0% of payroll, according to risk classified by industrial classification. **Government:** None. **Qualifying Conditions** **Work-injury benefits:** No minimum qualifying period. **Temporary Disability Benefits** **Temporary disability benefit:** 60% of wages. Minimum, 2,000 baht a month; maximum, 9,000 baht. Payable after 3-day waiting period (paid retroactively if incapacity lasts more than 3 days). **Permanent Disability Benefits** **Permanent total disability benefits:** 60% of average monthly wage for 15 years. **Permanent partial disability:** 60% of average monthly wage. Payable for up to 10

Workers' Medical Benefits **Medical benefits**: Free medical treatment, surgery, hospitalization, medicines, nursing, dental care, appliances, transportation, and rehabilitation. **Survivor Benefits** **Survivor benefits**: Lump sum equal to 1,300 days' daily average earnings payable to surviving family, or pension of 52% of annual earnings for 1 person, 57% for two, 62% for three, and 67% for four or more persons. Adjustment: Daily average earnings adjustment according to wage fluctuations. Funeral grant: 120 days' daily average earnings. **Administrative Organization** Ministry of Labor, general supervision. Korea Labor Welfare Corporation pays benefits and collects payroll taxes.	previous monthly earnings times60. **Workers' Medical Benefits** **Medical benefits:** Individual employer liability program: Medical treatment, hospital care, medicines, and necessary transportation. **Social insurance program:** Medical treatment, hospital care, medicines, and Rp 100,000 to Rp 250,000 for transportation. Cost of medical care covered to Rp 3 million. **Survivor Benefits** **Survivor pension:** Individual employer **liability program:** 30% of earnings of insured. Payable to widow or to disabled widower. Orphans: 15% of earnings of insured for each orphan under age 16, or 20% if full orphan. Other eligible survivors: Parent, grandparent, orphaned grandchild, father-in-law, mother-in-law. Maximum survivor pensions: 60% of 48 months of earnings (pensions may be converted to lump sums). Death benefit: Lump-sum payment up to 60% of 60 months of earnings at the death of the insured. Funeral grant: Rp 200,000. **Administrative Organization** **Individual employer liability program**: Minister of Manpower, general supervision. Individual employers must pay compensation directly to own employees and arrange for medical care. **Social insurance program:** Public Corporation for Employees Social Insurance (PT ASTEK), administration and operation of program.	years according to degree of incapacity, or as a lump sum. **Workers' Medical Benefits** **Medical benefit:** Necessary medical, surgical, and hospital services. Maximum limit on cost, 35,000 baht. **Survivor Benefits** **Survivor pension**: 60% of average monthly wages, according to number and type of survivors. Payable for up to 8 years or as a lump sum. Eligible survivors: Employee's spouse, parents, and children under age 18 (no age limit if student or disabled). Each survivor receives an equal amount. Funeral grant: 100 times the minimum daily wage (162 baht per day since September 19, 1997). **Administrative Organization** Ministry of Labor and Social Welfare, general supervision. Social Security Office, administration of program through Workmen's Compensation Fund Office.

D. Unemployment Insurance		
Coverage and eligibility: In January 1998, it will cover firms with at least 10 workers. To qualify, employees must be employed for at least 12 months during 18 months before involuntary unemployment occurred. Benefit, financed by 0.6 percent payroll tax shared between workers and employers, is equal to ½ of the average worker's daily salary during the preceding 12 months.	No programs	(Included under the 1990 Social Security Act, implementation pending Royal Decree.)
E. Social Assistance		
Korea's social assistance system consists of two components: (I) public assistance (livelihood protection, medical aid, veteran relief, disaster relief): and (ii) social welfare services (for the disabled, elderly, children, women and the mentally handicapped). Public assistance provides services and financial assistance to needy people with low incomes. Social welfare services focussed on maintaining family welfare of the disadvantaged groups.	No programs	No programs
F. Family Allowance		
No programs	No programs	(Included under the 1990 Social Security Act, implementation starting in 1998.) First and current law: 1990. Revised 1999. Type of program: Social insurance system. **Coverage** Same as for Old Age, Disability, Death. **Source of Funds** **Insured person**: See pension contribution above. **Employer:** Same. **Employee:** Same. **Qualifying Conditions** **Child allowance benefits:** 12 months of contribution in 36 months before the month of entitlement. Child must be under age 6 (maximum 2 children). **Family Benefits** **Child allowance:** Monthly allowance amounting to 150 baht per child. In case the insured person is disabled or dead while the child is under age6, the child shall be entitled until reaching age 6.

Source: Adapted from US. Department of Health, Education and Welfare, ***Social Security Programs Throughout the World 1999***.